DOCUMENT RESUME

ED 413 830 HE 030 733

TITLE	Cash Management/Data Matching. Training Guide.
INSTITUTION	Office of Student Financial Assistance (ED), Washington, DC.
PUB DATE	1997-10-00
NOTE	162p.
PUB TYPE	Guides - Non-Classroom (055)
EDRS PRICE	MF01/PC07 Plus Postage.
DESCRIPTORS	Accounting; Data Collection; Data Conversion; Delivery Systems; *Educational Finance; Federal Aid; Federal Programs; Financial Audits; Higher Education; Information Storage; Loan Repayment; *Money Management; Program Improvement; *Quality Control; *Recordkeeping; Records Management; School Role; *Student Financial Aid; *Student Loan Programs
IDENTIFIERS	*Federal Direct Student Loan Program

ABSTRACT

This training guide for financial aid staff explains the process of direct loan reconciliation and suggests appropriate cash management accounting practices. Chapter 1 explains the importance of cash management, the role of data matching, and reviews basic reconciliation concepts and terms and direct loan reporting requirements. Chapter 2 reviews the loan process, including loan origination, promissory notes, and disbursements. Chapter 3 explains the Department of Education expectations regarding proper administration and management of direct loan funds, and provides examples of good financial management practices. Chapter 4 explains the data matching process for loan detail, cash detail, and cash summary records and also provides guidance on managing the process. Chapter 5 provides examples of typical problems encountered during the reconciliation process and suggests how they may be resolved. Chapter 6 provides tips on reading and manipulating data in the on-line EDExpress system to determine a school's data matching and cash resolution needs. There are eight appendixes. They include: ten Direct Loan Bulletin issues; status flags and reject codes; examples of various types of reports; several types of data entries; examples of acknowledgments; a reconciliation checklist; a batch ID list; and a transmission log. (JLS)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

HE

HE

ED 413 830

CASH MANAGEMENT / DATA MATCHING

TRAINING GUIDE

HE030733

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
☑ This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.
- Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

U.S. DEPARTMENT OF EDUCATION
STUDENT FINANCIAL ASSISTANCE PROGRAMS

OCTOBER 1997

BEST COPY AVAILABLE

Direct Loan Cash Management and Data Matching

1997-98

Table of Contents

Chapter 1 - Cash Management and Data Matching Overview (Reconciliation)

About this Guide 1-1
Objectives of Chapter One 1-1
Reconciliation 1-2
Key Direct Loan Activities 1-3
Participation Option Level Responsibilities 1-4
What Constitutes Booking a Loan 1-5
Cash Management Overview 1-6
    Internal Reconciliation 1-7
    Direct Loan Reporting Requirements 1-8
Data Matching Overview 1-9
The Reconciliation File 1-10
Direct Loan Flow Chart 1-11

Chapter 2 - The Loan Process

About this Chapter 2-1
Objectives of Chapter Two 2-1
Loan Origination 2-2
    Subsidized and Unsubsidized Loans 2-2
    PLUS Loans 2-2
Resolving Problems with Loan Origination 2-3
Management of Promissory Notes 2-4
    Booking a Loan with a Promissory Note - New Reconciliation Flag 2-5
    Resolving Problems with Promissory Notes 2-5
Changing Loan Amounts Prior to Disbursements 2-7
    Decreasing the Loan Amount Prior to Disbursement 2-7
    Increasing the Loan Amount Prior to Disbursement 2-8
    Canceling a Loan Prior to Disbursement 2-9
Actual Disbursements 2-10
    The Disbursement Date 2-10
        Changing the Disbursement Date 2-11
    Rules for Actual Disbursements 2-12
    Booking a Loan with an Actual Disbursement Record - New Recon. Flag.. 2-13
    Resolving Problems with Actual Disbursements 2-14
        Disbursement Reports 2-15
Changing Loan Amounts After Actual Disbursement 2-16
    Adjustments to Actual Disbursements 2-17
    The Action Date for an Adjustment 2-17

Rules for Adjusting Actual Disbursements........ 2-18
Canceling Actual Disbursements........ 2-19
Action Date for Cancellations........ 2-19
Rules for Cancellations of Actual Disbursements........ 2-20

Chapter 3 -Cash Management

About this Chapter........ 3-1
Objectives of Chapter Three........ 3-1
Cash Management........ 3-2
Accounting for Direct Loan Funds........ 3-3
Loan Detail-Disbursements, Adjustments, and Cancellations........ 3-4
Cash Detail-Drawdowns and Returns of Cash........ 3-4
Timely Reporting for Direct Lending........ 3-6
The Drawdown Process........ 3-7
Calculating and Requesting the Drawdown Amount........ 3-8
Option 2........ 3-8
Standard Origination and Option 1........ 3-9
Allocation of Funds for G and E Code Schools........ 3-10
Determining Unused Funds........ 3-11
Return of Funds Within 120 Days........ 3-12
Prepayment After 120 Days........ 3-13
Returning Unused Funds........ 3-14
Examples of Cash Management........ 3-16

Chapter 4 - Data Matching

About this Chapter........ 4-1
Objectives of Chapter Four........ 4-1
Data Matching Process........ 4-2
Data Match for Loan Detail........ 4-3
Data Match for Cash Detail........ 4-5
Rules for Cash Receipts........ 4-6
Adding a Cash Receipt........ 4-6
Rules for Returns of Cash........ 4-7
Adding a Return of Cash........ 4-8
Correcting a Cash Detail Entry........ 4-8
Cash Management Database........ 4-8
Data Match for Cash Summary........ 4-9
Monthly Reconciliation Process........ 4-10
"As Of" Date........ 4-10
Catching Up........ 4-11
Reconciliation File........ 4-12
Separate Year 3/Year 4 Reconciliation File........ 4-12
Exporting Reconciliation File........ 4-13
Importing Reconciliation Acknowledgment........ 4-13

4

Chapter 5 - Problem Resolution

About this Chapter.......................... 5-1
Objectives of Chapter Five.......................... 5-1
Common Reconciliation Problems/Resolutions.......................... 5-2
  Submission Errors.......................... 5-2
  Cash Summary.......................... 5-3
  Cash Detail.......................... 5-4
    Date Discrepancies.......................... 5-4
    Amount Discrepancies.......................... 5-4
    Omission Errors.......................... 5-5
  Loan Detail.......................... 5-8
    Missing Data.......................... 5-8
    Mismatched Data.......................... 5-9

Chapter 6 - Managing Data

About this Chapter.......................... 6-1
Objectives of Chapter Six.......................... 6-1
User Defined Queries.......................... 6-2
Tips for Queries.......................... 6-2
Why Use Queries.......................... 6-3
Creating a Query.......................... 6-3
Printing Queries.......................... 6-4
  Print Page Activity.......................... 6-5
Measurement Tools.......................... 6-7
Batch Activity Measurement Report.......................... 6-9
  Batch IDs.......................... 6-10
  Message Classes.......................... 6-11
Processing Cycles.......................... 6-11
Production Schedules.......................... 6-13
Transmission Log.......................... 6-14
30 Day Warning Report.......................... 6-14

Appendix

Appendix A1 - Direct Loan Bulletin 97-41
Appendix A2 - Direct Loan Bulletin 96-8
Appendix A3 - Direct Loan Bulletin 97-35
Appendix A4 - Direct Loan Bulletin 97-30
Appendix A5 - Direct Loan Bulletin 96-6
Appendix A6 - Direct Loan Bulletin 97-19
Appendix A7 - Direct Loan Bulletin 97-12
Appendix A8 - Direct Loan Bulletin 97-33
Appendix A9 - Direct Loan Bulletin 97-40
Appendix A10 - Direct Loan Bulletin 97-11

Appendix B1 - Status Flags
Appendix B2 - Reject Codes

Appendix C1 - Report of a Cash Summary List
Appendix C2 - Report of a Loan Origination List
Appendix C3 - Report of Promissory Note Statuses
Appendix C4 - Report of Pending Disbursements
Appendix C5 - Report of Anticipated/Actual Disbursements
Appendix C6 - Report of Actual Disbursements

Appendix D1 - Adding a Cash Receipt
Appendix D2 - Adding a Return of Cash
Appendix D3 - Correcting a Cash Detail Entry
Appendix D4 - Cash Management Database
Appendix D5 - Exporting Reconciliation File
Appendix D6 - Importing Reconciliation Acknowledgment

Appendix E1 - Promissory Note Acknowledgment
Appendix E2 - Disbursement Note Acknowledgment
Appendix E3 - Reconciliation Acknowledgment

Appendix F1 - Reconciliation Checklist

Appendix G1 - Batch IDs

Appendix H1 - Transmission Log

6

CHAPTER 1

CASH MANAGEMENT AND DATA MATCHING OVERVIEW (RECONCILIATION)

ABOUT THIS GUIDE

The purpose of this guide is to help you understand Direct Loan reconciliation and suggest cash management practices to assist you in maintaining the integrity of Direct Loans at your school. This guide is management oriented rather than strictly procedural since all schools perform reconciliation and must manage their cash, but many schools have different procedures in place to accomplish these goals.

OBJECTIVES OF CHAPTER ONE

PARTICIPANTS WILL BE ABLE TO:

1. Understand the importance of cash management and the role of data matching in the Direct Loan process.
2. Understand the basic reconciliation concepts and terms.
3. Understand the Direct Loan reporting requirements with respect to the processes of cash management and data matching.
4. Understand the Year 4 changes that have occurred in the reconciliation processing.

7

RECONCILIATION

Reconciliation is a school activity that occurs on an ongoing basis. The concept of "reconciliation" in the Direct Loan Program encompasses two activities: **cash management and data matching**. These terms are defined as:

CASH MANAGEMENT - the accounting for Direct Loan funds drawn down and disbursed to borrowers. A school demonstrates appropriate cash management of Direct Loan funds by:

- the timely reporting of disbursement records (including adjustments and cancellations) that are submitted to the **Loan Origination Center (LOC)** as loan activity records.

- Accounting for all drawdowns of Direct Loan funds via corresponding disbursement or the return of funds to the LOC as excess cash.

DATA MATCHING - a method of ensuring that all borrower loan information has resulted in a "booked" loan and cash data (drawdowns and returns of cash) on the school's system matches the cash data on the LOC's system.

NEW!! 97/98

For Direct Loan Program Year 4 (97/98) when a disbursement or promissory record has been received, accepted by the LOC, and results in the loan being booked, the acknowledgment returned by the LOC with the booking transaction will include a "status flag" indicating that the record has been reconciled. Any loans that do not reconcile through this process will be selected for transmission with the reconciliation file.

Reconciliation involves BOTH cash management and data matching.

8

KEY DIRECT LOAN ACTIVITIES

As a participant in Direct Loans, schools are responsible for the following key activities, which are performed on a regular basis:

- create and transmit **loan origination record** data to the LOC;
- print **promissory notes** and mail signed documents to the LOC (for Participation Options 1 and 2), including both electronic and paper manifests;
- **draw down** Direct Loan funds, based on immediate funding needs (Participation Option 2);
- **disburse funds** to borrowers;
- transmit loan **disbursement records** (including adjustments and cancellations) to the LOC;
- import all corresponding **acknowledgments** from the LOC for each of the above transmissions.

In performing these activities, the school must make sure that an internal process is in place to systematically research and resolve any rejected records, make the necessary corrections and then resubmit all previously rejected records. The responsibilities of each school are based on the school's participation level. The chart on the following page illustrates this division of responsibilities.

The school is responsible for maintaining records of all these key activities in a hard copy format or in its own internal system, whether the school uses EDExpress, vendor software or institutionally developed software (see 34 CFR 668.24). **Schools using third-party servicers to perform key tasks for Direct Loans, are responsible for making sure that these agents maintain required records in their systems**.

Schools are required to keep Direct Loan records in accordance with the record retention requirements .

PARTICIPATION OPTION LEVEL RESPONSIBILITIES

Functions	Standard	Option 1	Option 2
Create loan origination record	School	School	School
Transmit loan origination to LOC	School	School	School
Prepare promissory note	LOC	School*	School*
Obtain completed/signed promissory note from borrower	LOC	School	School
Transmit promissory note to LOC	N/A	School	School
Determine funding needs	LOC	LOC	School
Initiate drawdown of funds	LOC	LOC	School
Receive funds electronically	School	School	School
Receive actual disbursement roster	School	School	N/A
Disburse loan funds to borrower	School	School	School
Create disbursement record	School	School	School
Transmit disbursement record to LOC	School	School	School

* These Schools may opt to have the LOC print the promissory notes.

WHAT CONSTITUTES BOOKING A LOAN

A booked loan is a legal and binding obligation between the US Department of Education (the Department) and the borrower who is responsible for repaying the loan. In the Direct Loan Program, a loan books once the school has completed the following steps:

1. The **loan origination record** has been submitted by the school and accepted by the LOC.
2. The **promissory note** has been submitted to the LOC and accepted.
3. The **first actual disbursement** record has been submitted to the LOC and accepted.

This booking process is critical for two major reasons. First, it provides accountability and ensures the accuracy of processed data. Second, it ensures that borrower loans are properly serviced in a timely manner. Servicing of a loan does not occur until the loan books. *Additionally,* ***the Department assumes liability for the loan once the loan books.***

An Accepted loan origination + promissory note + 1st disbursement = a booked loan

CASH MANAGEMENT OVERVIEW

The cash management activity is the first of the two activities involved in successful reconciliation and is an integral part of the school's normal processing of Direct Loans that occurs throughout the month. A school must maintain accurate accounting processes for recording the receipt of Direct Loan funds from the Department and the disbursement of those funds to borrowers. This must occur in a timely manner.

A school's cash balance is of primary importance. At the beginning of a school's processing cycle of Direct Loans (usually the beginning of the academic year), the school's Direct Loan cash balance is zero - no Direct Loan funds have been received and no disbursements or returns of cash have been recorded. Once activity begins however, a school's cash balance will fluctuate.

FOR EXAMPLE:

If a school has a NEGATIVE cash balance, then the school has disbursed more funds then it has drawn down from the Department of Education. This is often typical of schools that use their own funds to pay students and then draw funds from the Department of Education to reimburse themselves.

If a school has a POSITIVE cash on hand balance, then the school has drawn down more funds then it has disbursed to students. This could occur if an error was made in the amount of the drawdown or if many cancellations were made without adjusting the drawdown accordingly. This cash balance should be resolved in order to comply with provisions in the cash management regulations (34 CFR 668.164-166).

Schools can monitor their balance relatively easily by calculating their disbursement to drawdown percentage. Schools should strive to maintain a disbursement to drawdown percentage of 100% or greater to ensure that all funds are accounted for and have been reported to the Department.

Express Users

The use of the cash summary list would allow a school to calculate their disbursement to drawdown percentage (See Appendix C1).

NOTE: There is a distinction between a cash balance and the appearance of a cash balance. If a school has not reported all disbursements within the required 30 days, there would be an appearance of a cash balance, when in fact the problem is due to slow reporting of disbursements. Two related and important aspects of cash management are the need for internal reconciliation and the need for timely reporting.

INTERNAL RECONCILIATION

A school must internally reconcile its own Direct Loan accounts, including its cash balance, to account for all drawdowns, disbursements and returns of cash. Thus, schools are strongly encouraged to develop proactive internal reconciliation procedures. Data from the LOC should be verified against the school's student accounts. For schools with more than one database containing loan information, all of these databases must be compared and they must match. This comparison will ensure that all reported actual dates and amounts are consistent. This will require maintaining accounting records of all loan activities and, **at least monthly**, verifying the accuracy of each disbursement and return of unused funds. Many institutions have initiated procedures that perform internal reconciliation on a more frequent basis and each school should consider doing so as well, depending on the level of activity and the ease or difficulty such internal accounting requires.

Express Users

There are several different reports that can be generated from the cash list that will help with internal reconciliation.

DIRECT LOAN REPORTING REQUIREMENTS

The school accounts for its Direct Loan funds by the regular submission of loan activity records (timely reporting of loan origination records, promissory notes, disbursements, and adjustments and cancellations) to the LOC. Timely reporting, according to regulations effective July 1, 1996, requires: "**a school that originates a loan must submit the promissory note, loan origination record, and initial and subsequent disbursement records to the Secretary no later than 30 days following the date of the disbursement**." Cancellations and adjustments of loans are considered part of the disbursement records and, therefore, are also required to be reported within 30 days from the date of the adjustment or cancellation. (See Direct Loan Bulletin 96-8 in Appendix A2, and Regulation 34 CFR 685.301.)

FOR EXAMPLE:

If $2,000 is disbursed to a borrower on October 1, the institution is required to report the loan origination record, submit the promissory note and transmit the disbursement record supporting this disbursement to the LOC no later than October 31.

There is a need for timely reporting of disbursement activity for two critical reasons.

- The Department of Education will have an accurate picture of a school's cash on hand balance.
- Servicing of a borrower's loan will occur in a timely manner and reflect the correct amount of funds disbursed.

The Department of Education closely monitors this activity.

DATA MATCHING OVERVIEW

The second activity involved in successful reconciliation is data matching. This process compares the records on the school's system with records on file with the Loan Origination Center. The purpose of the data matching activity is to make sure that the borrower specific records and cash records (receipts of cash and returns of cash), submitted by the school to the LOC, match the information the LOC has in its system. The information that is in the reconciliation file is comprised of:

Loan Detail Records - unreconciled disbursement data which has been sent to the LOC by the school in the reconciliation file (records of actual disbursements, adjustments to actual disbursements and cancellations of actual disbursements);

Cash Detail Records - receipts of cash (drawdowns) and returns of cash that are matched against LOC records of checks (or electronic funds) received and school drawdowns as reported by the Department;

Cash Summary Records - total loan detail and total cash detail records.

The **cash detail** and **cash summary** records will be "matched" only when a school sends a reconciliation file. The matching of **loan detail** records is needed to ensure that both the Department and the borrower have an accurate record of the loan amount and repayment periods. The matching of **cash detail** records is needed to ensure that all drawdowns were received by the school and that any returns of cash were received by the LOC.

FOR DIRECT LOAN PROGRAM YEAR 4 (97/98) when a disbursement or promissory record has been received, accepted by the LOC, and results in the loan being booked, the acknowledgment returned by the LOC with the booking transaction will include a "status flag" indicating that the record has been reconciled. This status flag is in addition to the promissory note or disbursement status flag returned in the acknowledgment. Also, the current amount of the loan that has been disbursed to the borrower (the cumulative gross amount accepted to date at the LOC, including adjustments and cancellations) will be returned with this acknowledgment. See DLB 97-41 in Appendix A1.

NEW!! 97/98

> In the reconcilation file, if the loan or cash detail records do not match the data at the LOC, the school is responsible for determining the reasons for any discrepancies and taking the necessary steps to correct them.

THE RECONCILIATION FILE

The reconciliation file reflects information on loans that have not yet reconciled through a certain "as of" date and includes the items mentioned earlier: loan detail, cash detail and a cash summary record. These items are also discussed in greater depth in Chapter 5 of this guide.

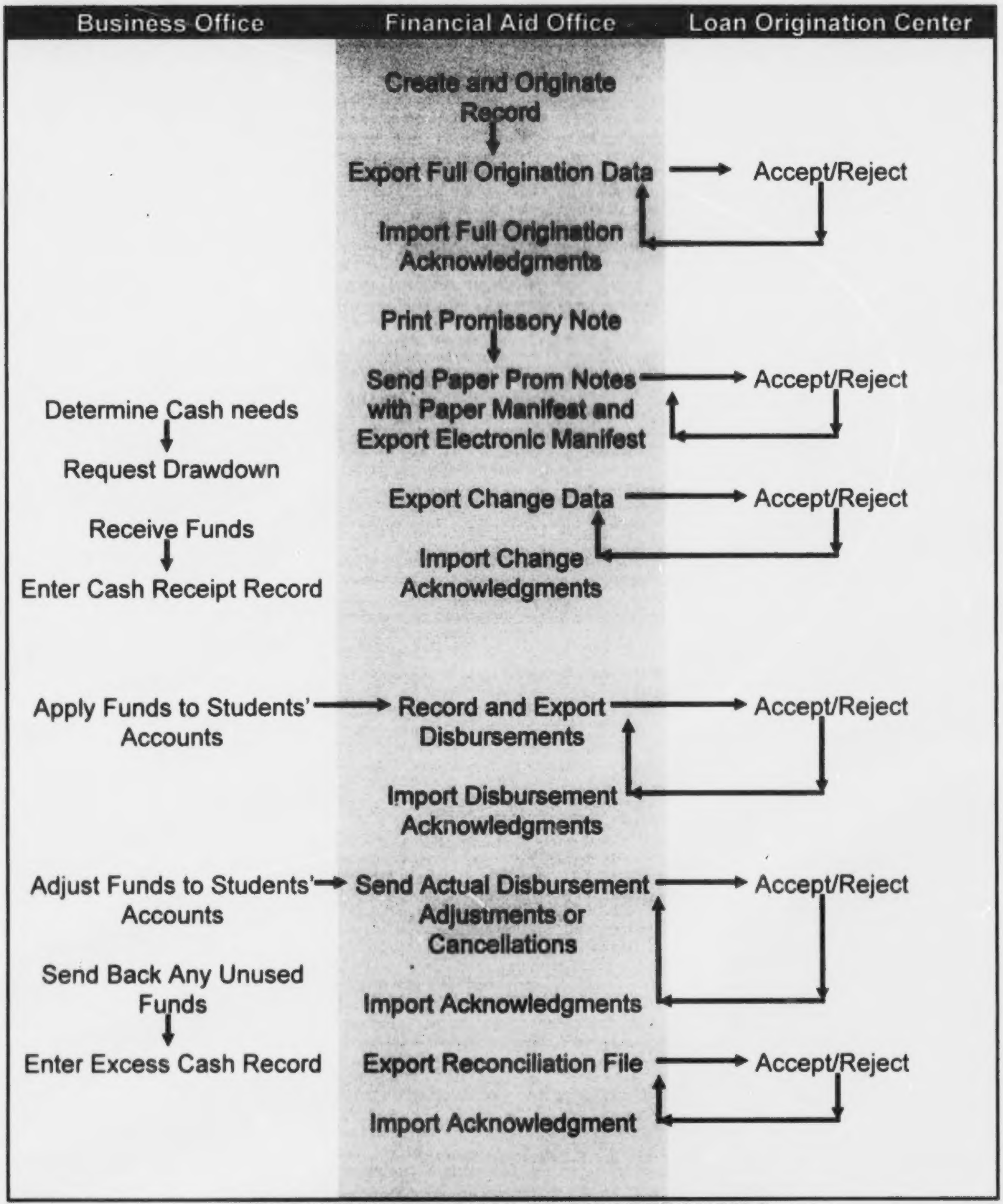
When the LOC receives the reconciliation file from the school, it attempts to match each loan and cash detail record submitted with the records on its system. For each unmatched record, the LOC provides a reject code specifying the reason for the rejected data (See Appendix B2 for a list of reject codes. It is the school's responsibility to research each unmatched item and correct it. The Department has set a processing deadline of July 31, 1998 for schools to submit all 95/96 and 96/97 loan record information. (See DLB 97-35 in Appendix A3.)

NEW!! 97/98

FOR DIRECT LOAN PROGRAM YEAR 4 (97/98) There is a separate reconciliation process for the 97/98 award year and the 96/97 and prior award years. Prior to the 97/98 award year, the cash databases at the LOC were combined and a drawdown of direct loan funds could be used to pay eligible students in different award years. However, beginning with the 97/98 award year there will be no link to a prior year's cash balance. Drawdowns must be year specific. (See Direct Loan Bulletin 97-41, and 97-30 in Appendix A1 and A4 respectively.) The advantage is that schools will begin the 97/98 award year with a zero cash balance and will be able to close out and reconcile their 97/98 year without referencing records from prior years.

Additionally, the schools will need to send separate reconciliation files from the 97/98 and 96/97 databases or any prior years with unreconciled data. Until a year is fully reconciled, the school must continue to work on all unreconciled items and send monthly reconciliation attempts to the LOC for all unresolved years.

DIRECT LOAN FLOW CHART
EXAMPLE OF ORIGINATION-RECONCILIATION FOR AN OPTION 2 SCHOOL


Business Office
Financial Aid Office
Loan Origination Center
Create and Originate Record
Export Full Origination Data
Accept/Reject
Import Full Origination Acknowledgments
Print Promissory Note
Send Paper Prom Notes with Paper Manifest and Export Electronic Manifest
Accept/Reject
Determine Cash needs
Request Drawdown
Export Change Data
Accept/Reject
Receive Funds
Enter Cash Receipt Record
Import Change Acknowledgments
Apply Funds to Students' Accounts
Record and Export Disbursements
Accept/Reject
Import Disbursement Acknowledgments
Adjust Funds to Students' Accounts
Send Actual Disbursement Adjustments or Cancellations
Accept/Reject
Send Back Any Unused Funds
Import Acknowledgments
Enter Excess Cash Record
Export Reconciliation File
Accept/Reject
Import Acknowledgment

RESOLVE UNRECONCILED DISCREPANCIES

BEST COPY AVAILABLE

CHAPTER 2

THE LOAN PROCESS

ABOUT THIS CHAPTER

This chapter will provide an overview of the loan process: loan origination, promissory notes, and disbursements. It will also provide information on how to handle changes to loan amounts prior to actual disbursement and after actual disbursements. Finally, it will review some useful tools that can be utilized to resolve problems with each of these steps.

OBJECTIVES OF CHAPTER TWO

PARTICIPANTS WILL BE ABLE TO:

1. Understand the origination process
2. Understand the promissory note process
3. Understand the disbursement process
4. Resolve problems with each step of the loan origination process
5. Understand how records are reconciled with promissory note and disbursement acknowledgments
6. Understand how to handle changes to loan amounts prior to making actual disbursements.
7. Understand how to handle changes to loan amounts after making actual disbursements.
8. Define rules for adjusting and canceling disbursement records.

LOAN ORIGINATION

The loan origination is the first of three records necessary to book a loan. Promissory notes and disbursement records will not be accepted at the Loan Origination Center without an accepted loan origination record. Loan origination records must be sent within 30 days of the 1st actual disbursement.

SUBSIDIZED AND UNSUBSIDIZED LOANS

In order to create a Subsidized or Unsubsidized loan origination record, the school needs to enter a value for the loan amount approved which is the amount that the student is actually eligible to receive based on the borrower's need. After entering a loan amount approved, the school needs to create anticipated disbursement dates and amounts that correlate to the particular loan.

PLUS LOANS

For a PLUS loan record, the borrower may **not** be approved for an amount greater than the loan amount requested on the Loan Application/Promissory Note. **Since the loan amount requested may be greater than the loan amount approved, the anticipated disbursements for the PLUS loan are determined by the amount entered in the loan amount approved field.** Therefore, any changes must be made to the loan amount approved field. If the promissory note indicates different amounts for the loan amount approved and the loan amount requested, the LOC will use the lower amount to compare to the loan origination record.

	Loan Amount Approved	Loan Amount Requested
Subsidized and Unsubsidized	Maximum amount for which the borrower is eligible.	Maximum amount the borrower wishes to receive, not to exceed the amount approved.
PLUS	Maximum amount for which the borrower is eligible, not to exceed the amount requested.	Maximum amount the borrower wishes to receive.

RESOLVING PROBLEMS WITH LOAN ORIGINATION

An origination record must be accepted before the promissory note or the disbursement records will be accepted by the LOC. It is the school's responsibility to research any rejected loan origination records, make the necessary changes, and resubmit all previously rejected records.

Some causes of rejected loan origination records are:

- incomplete demographic information (name, address, date of birth, etc.) for which the school must contact the borrower
- anticipated disbursement inconsistencies (fewer than two for any school that is not an experimental site, not within loan period, not in date order, or greater than total approved loan amount)

With each rejected loan origination acknowledgment, a school will receive a reject code that indicates why a record has rejected. We suggest that the school print a hard copy of the acknowledgment as a tool to help research the rejected records. A school should resolve all errors and resubmit the records in the next origination batch. (See Appendix B2.)

Schools may wish to develop a report that gives the loan origination status flag for all non-canceled loans where the loan origination status is not equal to "A". This report will give a list of loan origination records that are still pending some type of action. (See Appendix B1 for a complete list of status flags.)

Express Users

A report called Loan Origination List can be printed for EDExpress Users (See Appendix C2 for an example of this report and instructions on how to print)

MANAGEMENT OF PROMISSORY NOTES

An important part of managing the Direct Loan process is the handling of promissory notes for Direct Loan borrowers. All promissory notes must be accepted by the LOC. Accepted promissory notes are a key component for "booking" Direct Loans. Therefore, a school's promissory note procedures should include the following steps:

1. Promissory notes should be reviewed by the school upon being received from the borrower and prior to submitting the hard copy of the note to the LOC. Promissory note review/acceptance guidelines were published in DLB 96-6, Appendix A5. These guidelines should be incorporated into a school's review process in order to eliminate the possibility of promissory notes failing to meet the LOC's edits.

2. Promissory notes should also be reviewed in order to determine if the borrower has made changes to the anticipated disbursements. If the borrower has decreased the amount of the loan, the school needs to make sure the corresponding changes are made on the loan origination record. Loan amounts on the loan origination record sent to the LOC must accurately reflect loan amounts on the promissory note.

3. Promissory notes are mailed directly to the LOC accompanied by a paper manifest (which lists the names of the borrowers and loan ID's). The paper manifest must be signed by the appropriate school official before it is mailed.

4. The school must also electronically transmit a manifest to the LOC.

5. Rejected or incomplete promissory notes must be corrected immediately and resubmitted to the LOC in a timely manner. Schools with promissory notes acknowledged as pending should contact the LOC. This ensures that the processing of the loan continues without any delay.

6. It is important to remember that promissory note acknowledgments are returned to the school as they are accepted/rejected by the LOC. As such, promissory notes mailed together and listed on the same manifest, do not necessarily get acknowledged together by the LOC.

NOTE: For Option 2 schools, the Department does not require a school to receive an accepted promissory note acknowledgment prior to disbursing Direct Loan funds but the school is required to obtain a signed and completed promissory note prior to disbursement. The Department assumes liability for a loan once the loan books. (See DLB 97-11 in Appendix A10.)

BOOKING A LOAN WITH A PROMISSORY NOTE - NEW RECONCILIATION FLAG

NEW!!
97/98

FOR DIRECT LOAN PROGRAM YEAR 4 (97/98) when a promissory note has been received, accepted by the LOC, and results in the loan being booked, the acknowledgment returned by the LOC, will include a "status flag" indicating that the record has been reconciled. This status flag is in addition to the promissory note status flag returned on the promissory acknowledgment. Also, the current amount of the loan that has been disbursed to the borrower (the cumulative gross amount accepted to date at the LOC, including adjustments and cancellations) will be returned with this acknowledgment. (See the Prom Note Acknowledgment in Appendix E1.)

NOTE: If the promissory note is accepted but does not book the loan, the acknowledgment will indicate that the promissory note has been accepted but not reconciled (booked).

RESOLVING PROBLEMS WITH PROMISSORY NOTES

A school can not book a loan without an accepted promissory note. The key to avoiding problems with promissory notes is to follow the guidelines provided in Direct Loan Bulletin 96-6 in Appendix A5. The main reasons promissory notes are rejected or go unacknowledged are:

- missing data (signature, name, address, loan amount requested, references, employer information, loan period, or date of birth)

  promissory note alterations without appropriate borrower initials (including initialing total amounts when changes have been made to individual anticipated amounts)

- the amount disbursed is greater than the promissory note amount (if the note is submitted after disbursement)

- the school fails to transmit the electronic manifest

For promissory notes, "reject" codes identify whether a note is rejected, incomplete or pending. Notes with a rejected status must be reprinted and resubmitted to the LOC on a new manifest. **Pending** notes could not be processed by the LOC. One of the most common reasons a note may be in a Pending status is that the origination record has not been sent to the LOC or accepted yet. **Incomplete** notes are returned by the LOC to the school or borrower for completion. The school does not have to reprint a note that has an incomplete status nor does it need to retransmit the electronic manifest. (See Appendix B2 for a complete list of all reject codes.)

Express Users

EDExpress users can print a Promissory Note Status List (See Appendix C3 for an example of this report and instructions on how to print)

Since there is no batch integrity with promissory notes, it is very important for a school to track where a promissory note is in the process. Schools can develop a report that shows all promissory notes with their various statuses. They may want to form a query that excludes all notes in an "A" status and all canceled loans. (See Appendix B1 for a complete list of status flags.)

NOTE: Schools may want to maintain a log of promissory note rejections and use this information to improve the school's instructions to borrowers and its promissory note review process.

CHANGING LOAN AMOUNTS PRIOR TO DISBURSEMENT

DECREASING THE LOAN AMOUNT *PRIOR* TO DISBURSEMENT

A borrower may decide to borrow less than the loan amount initially printed on the promissory note after the loan has been originated. The borrower may request a lower loan amount by crossing through the total amount on the promissory note, initialing the change, and entering a new lower amount. In this situation, a **new promissory note is not required** because the borrower is requesting an amount that is lower than the amount for which he or she has been approved. However, the loan origination record must be updated with the new loan amount information. For any changes made to the loan amounts, new anticipated disbursement amounts must be calculated and new anticipated disbursements must be sent to the LOC as a **change record**.

INCREASING THE LOAN AMOUNT *PRIOR* TO DISBURSEMENT

If the loan amount needs to be increased after the loan origination record has been submitted, the school has two options:

1) create another loan for the difference between the two loan amounts;

   or

2) cancel the original loan and create a new loan with the new loan amount.

It is up to the school to determine which option is best for the school. If a school takes the first approach, the borrower would have two loan records and two promissory notes instead of one and the school would make multiple disbursements for the same loan period. However, a school may decide that it prefers the second approach listed above and choose to cancel the original loan and create an entirely new loan with a new promissory note.

For any changes made to the loan amounts, new anticipated disbursement amounts must be calculated and new anticipated disbursements must be sent to the LOC as a **change record**.

Remember:
whether increasing a loan amount or decreasing a loan amount, the new loan amount must be sent to the LOC as a ***change record*** *in order for the LOC to update its system with the new loan amount.*

CANCELING A LOAN *PRIOR* TO DISBURSEMENT

The school may cancel a loan record at any time prior to transmitting actual disbursement information to the LOC. If, after originating a loan, a school determines that a student does not intend to enroll at that school and therefore, the loan record is not needed, the school may cancel the loan record in order to prevent any further activity on the loan record. Once a loan origination record is canceled, it cannot be reactivated. If the borrower decides to re-enroll at a later time, a new loan origination record must be created.

In a situation where a student does not plan to attend the school for one semester but might attend the school in a subsequent semester, the school may choose not to cancel the loan and leave the original loan origination record as active. When the student re-enrolls at the school, the school needs to follow regulatory guidance to ensure that the amount to be disbursed is accurate and must follow the processes listed earlier regarding changing loan amounts. The school also needs to transmit all change records to the LOC. If a school follows these steps the loan origination record will remain open for future activity.

ACTUAL DISBURSEMENTS

Reporting the first disbursement of a loan to the LOC for a borrower is one of the three required elements in order to "book" the loan. Subsequent disbursements of the loan must also be reported to the LOC. ***Actual disbursement records must be reported no later than 30 days after the disbursement has been made***, regardless of whether the school is reporting an initial or subsequent disbursement. Once a disbursement record has been accepted by the LOC and the loan is booked, the Direct Loan Servicing Center will send a Disbursement Notification to the borrower within ten days. This Disbursement Notification is sent to the borrower each time a disbursement record is accepted by the LOC.

THE DISBURSEMENT DATE

The disbursement record is essential to verify that funds drawn down by a school have actually been disbursed to a borrower and it also records the date the funds (whether institutional or federal funds) were made available (disbursed) to the borrower. It is critical that a school accurately reports the borrower's date of disbursement and transmits this to the LOC. This is particularly important for Unsubsidized and PLUS loan borrowers because they are charged interest beginning on the date of disbursement, regardless of whether federal or institutional funds were used to make the disbursement. The date of disbursement is discussed in even greater detail in the cash management regulations (34 CFR 668.164-166).

It is critical that a school accurately reports the borrower's date of disbursement, and amount and then transmits this to the LOC.

A Direct Loan Disbursement:

For disbursements made on or after July 1, 1997, a Direct Loan disbursement occurs on the date a school credits the student's institutional account or pays students or parents directly with funds received from the Department or uses its own institutional funds in advance of receiving Title IV program funds. (See DLB 97-40 in Appendix A9.)

However:

If a school credits a student's school account with institutional funds in advance of receiving Title IV program funds earlier than 10 days before the first day of classes of a payment period, the Department considers the disbursement to have occurred on the 10th day prior to the first day of classes and this is the date that the institution must report to the Department.

If a school disburses institutional funds to a first-time, first-year, undergraduate borrower sooner than thirty days after the start of classes, the date of disbursement is the date of the 30th day after the first day of classes. Again, this is the date that the institution must report to the Department.

Type of Borrower	When Account was Credited by the Institution	When Dept. Considers Disbursement Occurred
Regular	Earlier than 10 days before 1st day of classes of pay period	The 10th day before the first day of classes
First-Time, First-Year Undergraduate	Earlier than 30 days after 1st day of classes of pay period	The 30th day after the start of classes

Changing the Disbursement Date

If, after sending the actual disbursement record, the school determines that the wrong date has been recorded on its system (for example, the school uses the anticipated disbursement date as the disbursement date when actually the disbursement was made at a later date), ***the only way a school can change the disbursement date is to CANCEL the actual disbursement record that is in error and re-enter the disbursement transaction with the correct date.*** Canceling actual disbursements is discussed in greater detail later in this chapter.

BEST COPY AVAILABLE

RULES FOR ACTUAL DISBURSEMENTS

In order to prevent rejection of disbursement records and the possibility of unreconciled loan detail records, the following rules should be followed when reporting actual disbursements:

1. When entering the first disbursement, a school may enter either the gross or net amount. For all subsequent actual disbursement transactions for the loan, the school should be consistent in using either the gross or net amount for the transaction in order to avoid any rounding logic problems.

2. The actual disbursement date may not be a future date (not beyond the date of system entry).

3. The actual disbursement date may not be reported as prior to ten days before the loan period start date.

4. There is a 30-day delay for disbursing loans to first-year, first-time borrowers. Note that this delay does not apply to a Direct PLUS Loan borrower whose child is in the first year of his or her program.

5. Disbursements must be reported sequentially. For example, the school may not report a second, third or fourth disbursement if there is no first disbursement, unless the first anticipated disbursement has been canceled.

6. All disbursement records must be reported to the Loan Origination Center within 30 days from the disbursement date.

BOOKING A LOAN WITH A DISBURSEMENT RECORD - NEW RECONCILIATION FLAG

NEW!! 97/98

FOR DIRECT LOAN PROGRAM YEAR 4 (97/98) when a disbursement record has been received, accepted by the LOC, and results in the loan being booked, the acknowledgment returned by the LOC, will include a "status flag" indicating that the record has been reconciled. This status flag is in addition to the disbursement status flag returned on the disbursement acknowledgment. Also, the current amount of the loan that has been disbursed to the borrower (the cumulative gross amount accepted to date at the LOC, including adjustments and cancellations) will be returned with this acknowledgment. (See the Disbursement Acknowledgment, Appendix E2.)

NOTE: If the disbursement record is accepted and does not book the loan, the acknowledgment will indicate that the disbursement has been accepted, but not reconciled and it will also provide the reason why the disbursement did not book.

Regardless of whether the promissory note or the first disbursement books the loan, all subsequent accepted disbursements (including adjustments and cancellations) will contain a reconciliation status flag indicating that the transaction has reconciled. In addition, once the loan has booked, all subsequent disbursement acknowledgments will include the current amount disbursed to the borrower.

Disbursement records will be included in the reconciliation file **only** for loans which have not booked. For example, if the promissory note had not yet been accepted but the disbursement record had been accepted, the reconciliation status would be unreconciled since all the components were not present to book the loan. (This example would apply to Option 2 schools that disburse funds prior to receiving an accepted promissory note.)

RESOLVING PROBLEMS WITH ACTUAL DISBURSEMENTS

Actual disbursements, adjustments to actual disbursements, and cancellations are all considered to be unique disbursement records. A school is required to resolve all rejected disbursement records as soon as possible. Some common reasons actual disbursement records reject are:

- Disbursements are not sent to the LOC in sequential order.
- Total amount of disbursements are greater than the loan amount approved.
- The disbursement date is later than 90 days from the end of the loan period.

DISBURSEMENT REPORTS

As with loan origination and promissory notes, disbursement records have reject codes that are included in the disbursement acknowledgment file. These reject codes should be utilized by the school to resolve any problems with their disbursement records. These same reject codes are also used for adjustments and cancellations. (See Appendix B2 for a complete list of all reject codes and their descriptions.)

There are many disbursement reports that a school can develop to resolve problems with disbursements. Below are a few examples:

- A report of all anticipated disbursements without a corresponding actual (pending disbursements). You will want to query out all canceled loans. This report would help a school identify any unrecorded disbursements.

- A report that compares all anticipated disbursements with actual disbursements. This report would also identify those anticipated disbursements that do not have corresponding actual disbursements. If the school notices a great variance between the dates and the amounts of the anticipated disbursements to the actual disbursements, the school may want to evaluate its disbursement dates and amounts and make sure they are reporting any changes to these fields.

- A report of all actual disbursements with a status not equal to "A." This report would identify any actual disbursements that have not been accepted by the LOC. The school should resolve all rejected and pending records on this report. (See Appendix B1 for a complete list of all status flags.)

Express Users

EDExpress users can print a Pending Disbursement List, an Anticipated/Actual Disbursement List, and an Actual Disbursement List to get the above information. (See Appendix C4 - C6 for an example of these reports.)

CHANGING LOAN AMOUNTS AFTER ACTUAL DISBURSEMENT

It is important to record any changes to loan amounts made prior to the first disbursement in the school's Direct Loan system and to report those changes to the LOC. In addition, a loan amount may also need to be changed **after** an actual disbursement is made to a borrower. These changes also need to be recorded in the school's Direct Loan system and need to be reported to the LOC.

Changes sometimes occur after funds are disbursed to a borrower that may cause a loan amount to be increased, decreased or canceled. When this occurs, the new loan amount information must be reported to the LOC which in turn informs the Direct Loan Servicing Center. The Servicing Center keeps the borrower informed of the current status and amount of the borrower's loan by sending the borrower a Disbursement Notification.

Remember, the 30-day requirement for reporting actual disbursement records, which includes cancellations and adjustments, is necessary so that borrowers are charged interest based on correct loan amounts. Timely reporting is especially critical for unsubsidized and PLUS loan borrowers for whom interest accrues as of the date of disbursement.

In order to understand how adjustments to actual disbursements and cancellations of actual disbursements impact the reconciliation process, it is important to understand the rules that govern each of these activities.

ADJUSTMENTS TO ACTUAL DISBURSEMENTS

Once an actual disbursement has been accepted by the LOC, the disbursement amount can be adjusted upward or downward as many times as is necessary during the loan period. For example, an adjustment may be necessary when a student returns a portion of the original disbursement. **Remember, adjustments create disbursement records** which must be exported to the LOC within 30 days of the activity.

THE ACTION DATE FOR AN ADJUSTMENT

The "action date" for an adjustment is the date the activity occurred that caused the adjustment. When a student returns funds to the school to reduce the loan amount, the date the student returns the funds to the school is the effective date ("action date") of the adjustment. The "action date" is **not** the date the school entered the adjustment on their computer or the date the refund was calculated. ***However, if this "action date" is over 120 days from the date of disbursement, the school cannot make an adjustment to the disbursement.*** Instead, the original loan amount remains as is, and the amount to be returned is sent to the LOC as a prepayment. The student remains responsible for the loan fees and any accrued interest. Refer to Appendix A8 for DLB 97-33 for more detail on the 120 Day Rule. (Currently there is a Notice of Proposed Rule Making dated 9/25/97 which proposes changing this 120 day rule in order to create parity between the FFEL and Direct Lending Program. It is anticipated that this Parity NPRM will be adopted into regulation in the very near future.)

NOTE:
It is to the borrower's advantage to return funds to the school within 120 days of disbursement and have the school adjust the loan record and return those funds to the LOC as excess cash. In this instance, the borrower would not be responsible for any loan fees on the returned amount. If the borrower returns the funds to the Servicing Center directly, the borrower should include a letter stating that the funds are for "payment of a return/cancellation." If the borrower includes this letter, the borrower will be responsible only for the loan fees and accrued interest on the final adjusted amount of the disbursement. The borrower will be responsible for the loan fees and accrued interest on the entire disbursement amount if funds are returned as a prepayment.

RULES FOR ADJUSTING ACTUAL DISBURSEMENTS

1. The action type (gross or net) of the adjustment must correspond to the action type of the related disbursement. For example, if the school enters a first actual disbursement as a gross amount, the school must enter the gross amount of any subsequent adjustments.

2. The school may not record *two adjustments* for the same disbursement number with the *same action date*. When a second adjustment is recorded with the same action date as a first adjustment, the LOC cannot determine the sequence in which the adjustments occurred which will cause the corresponding loan detail records not to reconcile.

3. Adjusting an actual disbursement **to** zero does not cancel the actual disbursement nor does it change the disbursement date at the LOC. Rather, schools should cancel the disbursement and send in a subsequent disbursement if necessary to correct a date.

4. Adjustments **of** zero do not change incorrect disbursement dates. Schools should cancel the disbursement if necessary to correct a date.

5. When recording the adjustment, the school should be sure to enter the new adjusted amount (gross or net), not the difference between the original disbursed amount and the new disbursement amount.

CANCELING ACTUAL DISBURSEMENTS

Once an actual disbursement has been made and reported to the LOC, a school may cancel each individual actual disbursement. When the school cancels individual actual disbursements, the school must create a cancellation record for each actual disbursement that has been canceled. Canceling individual actual disbursements allows the loan record to remain open for additional activity.

If a school wants to cancel an entire loan, the school must first cancel each individual actual disbursement. Once the school has received acknowledgment from the LOC that each individual actual disbursement has been canceled, the school must send a change record to the LOC canceling the entire loan. Any additional loan activity for the borrower will require the origination of a new loan and a new promissory note will need to be created. (Refer to Appendix A6 for DLB 97-19.)

The Action Date for Cancellations

The "action date", (the date the student withdraws, drops below half time, or the school identifies an overaward) for a loan cancellation or an actual disbursement cancellation is the effective date of the cancellation. For example, if the borrower does not want the loan after the disbursement was made, and returns the full amount to the school within 120 days of the actual disbursement date, the date the borrower returns the funds is the action date for the cancellation. **If the action date is over 120 days from the date of disbursement, the school may not make a cancellation.** After 120 Days, funds returned to the Direct Loan Servicing Center will be applied as a prepayment of the borrower's loan account and the borrower will be responsible for fees and accrued interest. (Refer to Appendix A8 for DLB 97-33 for more detail on the 120 Day Rule.) Keep in mind that the Parity NPRM proposes changing this 120 day rule.

Rules for Cancellations of Actual Disbursements

1) The school may not use an "action date" for a cancellation more than 120 days past the actual disbursement date even though the record may be transmitted to the LOC later than this date.

2) Once a disbursement has been canceled and accepted by the LOC, this action cannot be reversed. (For EDExpress users, once a cancellation has been saved, this action cannot be reversed.)

3) A cancellation is always for the entire amount of the disbursement.

4) The school must export change records and cancellation of actual disbursement records to the LOC.

5) The school cannot cancel an actual disbursement by adjusting the actual disbursement to zero.

6) A school should first cancel the individual actual disbursements and then wait for the cancellations to be accepted before canceling the entire loan.

CHAPTER 3

CASH MANAGEMENT

ABOUT THIS CHAPTER

This chapter will explain what the Department of Education considers proper administration and management of Direct Loan Funds. It will also provide examples of solid management practices. However, it is not designed to supersede regulatory guidance on this subject.

OBJECTIVES OF CHAPTER THREE

PARTICIPANTS WILL BE ABLE TO:

1. Understand the importance of proper administration of Direct Loan Funds
2. Understand what transactions impact a school's cash balance
3. Understand how to determine funding needs
4. Understand how to handle excess cash and prepayments

CASH MANAGEMENT

The management of Direct Loan funds is of critical importance to the Department of Education; as mentioned earlier, it is the first of two activities which make up the reconciliation process. The second activity is data matching and this will be discussed in greater depth in Chapter 4. Proper cash management involves:

- accounting for all drawdowns of Direct Loan funds by either corresponding disbursements or the return of unused funds to the LOC. This also includes managing the school's cash balance to comply with Cash Management Regulations
- the timely reporting of disbursement records (which also encompasses adjustments and cancellations) to the LOC.

Schools are only able to properly manage their cash if BOTH of these activities are being performed. A school that accurately records and tracks its drawdowns and disbursements, but lags behind in reporting these transactions to the Department, will negatively impact their borrowers. This is due to the fact that the Department can only begin servicing loans once the loan books. Conversely, a school that reports disbursements in a timely manner but does not promptly return unused funds, will not be meeting the Title IV Cash Management requirements. It is important that schools have a process in place to assure that both of these activities occur.

ACCOUNTING FOR DIRECT LOAN FUNDS

Institutions must reconcile their own Direct Loan accounts, including their cash balance, to make sure that they have accounted for all drawdowns, disbursement and returns of cash. This means maintaining accounting records of all loan activities and verifying that all drawdowns have resulted in either a disbursement or a return of unused funds.

As a school **receives** Direct Loan funds, the amount must be reflected in the school's Direct Loan system as an increase in its cash balance. If a school must **return** Direct Loan funds to the Department, the school's system should reflect that information as a decrease in its Direct Loan cash balance. As a school **commences disbursement** activity, each disbursement transaction will either decrease the school's cash balance (for example, when recording an actual disbursement) or add to the school's cash balance (as when a downward adjustment or cancellation is made to an actual disbursement). A school needs to constantly monitor these activities to ensure that it is meeting the Cash Management Requirements.

Regardless of the internal system used by the school to account for its funds, two sets of transactions, loan detail and cash detail affect the school's Direct Loan cash balance.

LOAN DETAIL - DISBURSEMENTS, ADJUSTMENTS AND CANCELLATIONS

These transactions are collectively known as "loan detail" transactions. Each individual loan detail transaction has an effect on the school's cash balance:

- Disbursements always reduce the cash balance
- Adjustments either increase the cash balance (downward adjustment) or decrease the cash balance (upward adjustment)
- Cancellations of actual disbursements always increase the cash balance.

CASH DETAIL - DRAWDOWNS AND RETURNS OF CASH

These transactions are collectively known as "cash detail" transactions. Each individual cash detail transaction has an affect on the school's cash balance:

- Drawdowns always increase the cash balance
- Returns of cash always decrease the cash balance

This loan and cash detail information is summarized in the chart below.

Activity	Impact on the Cash Balance
Receipt of Cash	Increase
Return of cash	Decrease
Actual Disbursement	Decrease
Downward Actual Adjustment	Increase
Upward Actual Adjustment	Decrease
Cancellation of an Actual Disbursement	Increase

NOTE! With the beginning of the 97/98 award year and all future years, a school's cash balance will be year specific. All schools' cash balances will begin at zero at the beginning of the 97/98 award year and all future award years. Specifically, drawdowns for Year **4 must be separate from drawdowns for any prior award year**. Excess cash for prior years must be returned separately from excess cash for Year 4. (See DLB 97-41 attached in Appendix A1.) Any school that began participating in the Direct Loan Program prior to the 97/98 award year has a combined cash balance for those prior periods, however the 97/98 award year will be a separated cash balance. (See DLB 97-12 attached in Appendix A7.)

NEW!!
97/98

TIMELY REPORTING FOR DIRECT LENDING

Cash management includes the timely reporting of disbursements, adjustments and cancellations to the Loan Origination Center. Thus, **a school that originates a loan must submit the promissory note, loan origination record and disbursement record to the Department no later than 30 days following the date of actual disbursement.** Since cancellations and adjustments of loans are also considered disbursement records, they are also required to be reported within 30 days of the date of adjustment or cancellation. The Department of Education monitors this activity. See (34 CFR 685.301) or DLB 96-8 which is attached as Appendix A2.

For example, if $2,000 is disbursed to a borrower on October 1, the institution is required to provide a loan origination record, a valid prom note and a disbursement record to the LOC no later that October 31.

In addition to the requirement to report this information in a timely manner, it is critical that schools verify the ***accuracy*** of their disbursement dates. A school that disburses funds to their borrowers on October 1, but reports those disbursements on October 31, should be using October 1 as the disbursement date. If a school incorrectly used the reported date as the disbursement date (in this example that would be October 31) the calculation of borrower's interest accrual would be incorrect. This would also impact a school's cash balance since it would appear that the school held a cash balance for a month before disbursing to a student. Refer to Chapter 2 for a discussion about how to correct disbursement dates if a disbursement is incorrectly recorded.

THE DRAWDOWN PROCESS

Now that we have discussed the importance of timely reporting and the accounting of direct loan funds, it is useful to explain the details of the drawdown process. This drawdown process can be segmented into 4 steps. They are:

1. Calculating Funding Needs
2. Requesting Funds
3. Determining Undisbursed Funds
4. Returning/Recording Undisbursed Funds

All of these steps are performed by Option 2 schools, while Option 1 schools and Standard Originators will only perform the last two steps (the Department will perform the first two steps for these schools). The responsibilities of Direct Loan schools are outlined in the chart in Chapter One.

CALCULATING AND REQUESTING THE DRAWDOWN AMOUNT

Option 2

Option 2 schools determine the amount of funds to draw down based on how much money they can disburse to eligible borrowers within three days of the date the school receives those funds. These schools will use either ACH or FEDWIRE to request funds directly from the Department. It takes 2-3 business days from the date of the request for these funds to be deposited in a school's federal bank account. Generally, ACH requests will be deposited in the school's account within three business days from the date the funds were requested. FEDWIRE requests are generally processed within two business days.

In determining the amount to draw down, schools must calculate the amount that is required to fund disbursements for loans that have been originated and for which there is a signed promissory note. In making this determination, the school should consider the following:

- borrower's enrollment status
- holds on student account which make a borrower ineligible
- satisfactory academic progress (SAP)
- an acceptance on the credit check for PLUS loans

Sometimes, after receiving the drawdown, the amount actually disbursed to students is less than the amount originally drawn down. When this occurs, an Option 2 school can use the undisbursed funds for other eligible borrowers within the time frames dictated by the Title IV cash management regulations (34 CFR 668.164-166). The use of these funds would have to be taken into consideration when calculating future drawdowns. If drawn down funds cannot be used for other eligible borrowers, these funds must be returned to the LOC (See "Returning Unused Funds" discussed later in this chapter).

Standard Origination and Option 1

These schools do ***not*** request funds directly from the Department. Drawdowns for these schools are requested from the Department by the Loan Origination Center (LOC). Standard Origination and Option 1 schools send loan origination records to the LOC. The LOC must receive and accept these origination records along with the corresponding promissory notes before the LOC will request funds for these loans. The amount that the LOC requests is based on the anticipated disbursement dates and amounts submitted by the school in the loan origination records. It is critical that these schools send any change records affecting the anticipated disbursements. This will ensure that schools receive an accurate drawdown and will reduce excess cash transactions.

Approximately 30 to 45 days prior to each anticipated disbursement date, these schools will receive a roster listing the loans to be disbursed. The roster will advise schools of the anticipated disbursements by borrower and amount. This needs to be reviewed and verified for accuracy. For any inaccuracies, schools should send in change records promptly.

The LOC will draw down funds four days prior to each anticipated disbursement date. The LOC will simultaneously create and electronically send an Actual Disbursement Roster reflecting the individual borrowers, loan types and associated actual disbursements. This notifies the school that the funds have been requested and can be expected in the school's federal bank account within three to four days.

When funds are received in the school's federal account, it must disburse the funds to the borrowers on the list in accordance with Title IV cash management regulations (34 CFR 668.164-166). If a borrower for whom funds are received is not paid those funds, these funds must be returned. These funds **may not** be used to pay another borrower. (See "Returning Excess Cash").

ALLOCATION OF FUNDS FOR G AND E CODE SCHOOLS

Multiple Campus schools have additional considerations when calculating their funding needs. Multi campus schools with "G" and "E" codes transmit loan information just like any other school. However they handle the draw down of funds differently. A school with a "G" code designation has the ability to draw down Direct Loan funds while an "E" code designation indicates that that campus is **not** eligible to draw down funds. Thus the drawdown of funds for multiple campus schools will be done via the "G" code school, but it will take into consideration the funding needs of the "E" campus schools.

Schools which serve as the central drawdown point and then allocate funds among their multiple campuses should wait at least five days after requesting a drawdown before exporting a Drawdown Reconciliation/Allocation Statement (#K Batch). This will allow the LOC to receive the drawdown record from EDPMS prior to receiving the #K Batch. Otherwise, the cash receipt records will reject. (See DLB 97-19, attached as Appendix A6.)

For example, if School XYZ has one G code and two E code campuses, the G code campus will perform drawdowns. Imagine that the campuses all have anticipated disbursements coming up, and the G code campus will be disbursing $50,000 in funds, but the E code campuses will be disbursing $30,000 and $45,000. In this situation, the G code school will draw down 125,000 dollars. The school will also be sending in an Allocation/Reallocation Statement to the Department which will designate which campus received funds and the exact amount that they received. This statement is discussed in greater detail in chapter 6 of the Direct Loan EDExpress Training Guide.

DETERMINING UNUSED FUNDS

If a school finds they have a cash balance, they should then consider whether they are within the Cash Management Regulations. Schools should reference 34 CFR 668.166 (b) which explains excess cash tolerances in detail. It states that:

- Excess cash is any amount of Title IV funds that a school does not disburse by the end of the 3rd business day following the date the school received the funds.
- An institution may maintain an excess cash balance if:

    1. it can eliminate it within 7 calendar days ***and***

    2. the excess is:
        < 3% of total prior year drawdowns during a "period of peak enrollment"
        < 1% of total prior year drawdowns during "non peak period enrollment"

Schools may find that unused funds must be returned if one of the following situations create excess cash or idle cash. Either:

- The institution has drawn down too much money
  or
- The institution has drawn the correct amount of funds but prior to disbursing funds, the school determines that some borrowers have become ineligible
  or
- There is a downward adjustment or a cancellation to a student's account that cannot be applied to another borrower.

Return of Funds Within 120 Days

Within 120 days from the "action date" of disbursement, for loan funds being returned to reduce a borrower's loan balance, the school needs to:

1. make an electronic adjustment /cancellation to the student's disbursement record, **and**

2. A. return these funds (See DLB 97-33 in Appendix A8)

   OR

   B. **if the school's loan origination level is Option 2** the school can use these funds (the amount that would be returned) for another borrower, in accordance with the appropriate cash management regulations

Mail check, payable to the U. S. Department of Education, to the following address if unused funds are being returned:

Direct Loan Origination Center
Attn: Excess Cash
P. O. Box 2011
Montgomery, AL 36102-2011

Prepayments After 120 Days

- **After 120 days** from the "action date" of disbursement, for loan funds being returned to "prepay" a borrower's balance (refund to the borrower's loan account), the school needs to:

    1. return funds as **payment** to borrower's account (refund the amount to the borrower's account)
    2. **do not make any electronic adjustments or cancellations to the borrower's account**

Mail checks to the following address if sending prepayments:

Direct Loan Servicing Center
Attn: Payment Center
P. O. Box 746000
Atlanta, GA 30374-6000

RETURNING UNUSED FUNDS

The Direct Loan Program requires transactions (drawdowns, disbursements and excess cash) to be entered in whole dollars. Therefore, **do not send cents**, send only whole dollars on any transmittals of unused funds. There are three methods schools can use to send Direct Loan funds to the Department (check, ACH, or Fedwire). However, the method a school chooses is dependent upon the amount being returned. (See DLB 97-33 in Appendix A8.)

Returning $100,000 or More

- **FEDWIRE** -- An electronic method of transferring funds from the school's bank to the Department. This method **must** be used if the amount of cash is $100,000 or more. Schools will need to contact their banks to find out what information is needed to initiate this type of transaction. The school's bank will need to know the following information about where to send the funds:

Financial Institution:	Compass Bank
Account Number:	707726726
ABA Number:	062001186

Instruct your bank to use the following reason for the remittance: **Direct Loan Excess Cash**

51

Returning Less than $100,000

Schools returning less than $100,000 may choose any one of three possible methods.

- **FEDWIRE** -- (see instructions for returning funds greater than $100,000)
- **ACH** (Automated Clearing House) -- This is another electronic method of transferring funds from a school's bank to an account at the LOC's. Schools will need to contact their banks to find out what information is needed to initiate this type of transaction. The bank will need to know the following information about where to return the funds:

Financial Institution:	Compass Bank
Account Number:	707726726
ABA Number:	062001186

- **CHECK** -- Schools can send cash via check if the amount being returned is less than $100,000. Do not send checks for each individual borrower or each loan type. Indicate on the check, or any accompanying correspondence, that the funds being returned are Direct Loan Excess Cash and include the school's Direct Loan G-code.

EXAMPLES OF CASH MANAGEMENT

EXAMPLE 1: OPTION 2 SCHOOL

The ABC school year begins on September 15, 1997. ABC has established a bank account to receive Direct Loan funds and has been assigned an Option 2 level of participation. On July 15, ABC submitted loan origination records for all of its borrowers with an anticipated first disbursement date of September 15 for 10 borrowers and October 15 for the remaining students. Each loan is a subsidized loan for $2,000 with half of the loan to be disbursed in 1997 and the remaining to be disbursed in 1998. Since the school's participation level is Option 2, the school must obtain signed promissory notes from each borrower and mail them to the LOC. By September 15, the school has received 13 signed promissory notes and mailed them to the LOC (9 for those loans to be disbursed on September 15 and 4 for those loans to be disbursed on October 15). All of the notes were accepted by the LOC.

The school plans to credit borrowers' accounts on September 17. As such, on September 10, the school began to estimate its cash needs. It was determined that one of the borrowers had dropped to half time and was now only eligible for a loan of $1,000. The school should transmit a **change record** to the LOC to reflect the new loan amount approved.

The school uses FEDWIRE to request Direct Loan funds. On September 13 (to take into account the weekend), the school requested $8,500 from the Department. The $8,500 represents $1,000 for each of eight loans and $500 for the student who dropped to part-time. Since one borrower has not yet returned his signed promissory note, the school will not disburse to him on September 17.

On September 17, after ensuring that the $8,500 drawn down was in the school's bank account, ABC credited the nine borrowers' accounts.

On October 10, the school began to estimate its cash needs for their next drawdown which would be needed by October 17. The school calculated that it needed $4,000 to cover the four loans of $1,000 each. This amount was requested on October 13, received October 15 and the students' accounts were credited on October 17.

On October 18, the school received the signed promissory note not previously received. This note was immediately sent to and accepted by the LOC. A request was made for a drawdown of $1,000 on October 20. The $1,000 was received on October 22 and credited to the student's account.

Finally, on October 25, the end of the school's add/drop period, the school found that two students dropped out of school and three others had dropped to half time. The school transmitted to the LOC two **cancellation** records totaling $2,000 and three **adjustment** records totaling $1,500 to reflect these changes. On October 28, the school sent $3,500 to the LOC as a **return of cash** since they could not use the idle cash for another borrower within the next seven days.

The cash activity should be reflected in the school's account as follows:

	Beginning Balance	$	0
9/17/97	Cash receipts	$	8,500
9/17/97	Cash disbursements	$	(8,500)
	Ending Balance, September 30	$	0
10/15/97	Cash receipts	$	4,000
10/17/97	Cash disbursements	$	(4,000)
10/22/97	Cash receipts	$	1,000
10/2297	Cash disbursements	$	(1,000)
10/25/97	Adjustments	$	1,500
10/25/97	Cancellations	$	2,000
10/28/97	Return of cash	$	(3,500)
	Ending Balance, October 31	$	0

EXAMPLE 2: STANDARD ORIGINATION SCHOOL

The ABC school year begins on September 16, 1997. ABC has established a bank account to receive Direct Loan funds and has been assigned the Standard Origination level of participation. On July 15, ABC submitted loan origination records for all of its borrowers with an anticipated first disbursement date of September 17 for 10 borrowers and October 17 for the remaining students. Each loan is a Subsidized loan for $2,000 with half of the loan to be disbursed in 1997 and the remaining to be disbursed in 1998. Since the school's participation level is Standard Origination, the LOC is responsible for all activities regarding promissory notes and by September 17, has received 13 signed notes (9 of those loans to be disbursed on September 17 and 4 of those loans to be disbursed on October 17).

On August 5, the school received a roster from the LOC indicating that 10 loans totaling $20,000 will have disbursements made on September 17. After examining the roster, the school determined that one of the borrowers had dropped to half time and was now only eligible for a loan of $1,000. The school should transmit a **change record** to the LOC to reflect the new loan amount approved.

On September 3, the school received another roster from the LOC indicating that five loans would be disbursed on October 17 totaling $10,000. The school determined that one of the borrowers listed on the roster had decided to go to the XYZ school and would not be attending ABC. The school should transmit a **change record** to the LOC to cancel the entire loan.

On September 12, the school received a list from the LOC indicating that a drawdown would take place on that day for $8,500. The list indicated each borrower and their respective disbursement amounts. The school noted that each borrower would receive $1,000, except for the borrower that dropped to half time, who would only receive $500. The school also noted that one of the borrowers was not listed. After inquiring with the LOC, they determined that the borrower had not yet returned the promissory note.

On September 17, the school checked its bank account and found that $8,500 had been deposited in its account. The $8,500 was credited to each student's account on September 17.

On October 13, the school received another list of borrowers with an amount indicating that $4,000 would be drawn down on that day. This amount was received on October 15 and the student's accounts were credited on October 17.

On October 18, the school received another list from the LOC which included the borrower who had not previously signed his promissory note. The list indicated that $1,000 would be drawn down. The $1,000 was received on October 22 and credited to the student's account.

Finally, on October 25, the end of the school's add/drop period, the school found that two students dropped out of school and three others had dropped to half time. The school transmitted to the LOC two **cancellation** records totaling $2,000 and three **adjustment** records totaling $1,500 to reflect these changes. On October 28, the school sent $3,500 to the LOC as a **return of cash.**

The cash activity should be reflected in the school's account as follows:

	Beginning Balance	$	0
9/17/97	Cash receipts	$	8,500
9/17/97	Cash disbursements	$	(8,500)
	Ending Balance, September 30	$	0
10/15/97	Cash receipts	$	4,000
10/17/97	Cash disbursements	$	(4,000)
10/22/97	Cash receipts	$	1,000
10/2297	Cash disbursements	$	(1,000)
10/25/97	Adjustments	$	1,500
10/25/97	Cancellations	$	2,000
10/28/97	Return of cash	$	(3,500)
	Ending Balance, October 31	$	0

After all cash activity has been properly reported, the Direct Loan cash balance is zero. This indicates that all funds drawn down have been properly disbursed or returned to the LOC as excess cash. It is important to remember to send records of the disbursement, adjustment and cancellation transactions to the LOC as quickly as possible, but no later than 30 days after the transaction occurred.

Note that in both examples, the cash transactions and balances are identical. All schools, regardless of the participation level, will record cash transactions in the same manner, based upon the amounts and dates that the transactions occur.

CHAPTER 4

DATA MATCHING PROCESS

ABOUT THIS CHAPTER

This chapter is designed to help assure that schools can successfully match their cash and loan detail records to the LOC's data.

OBJECTIVES OF CHAPTER FOUR

PARTICIPANTS WILL BE ABLE TO:

1. Understand data matching process for loan detail, cash detail and cash summary records.
2. Understand changes for the Direct Loan Program Year 4.
3. Understand how to manage the data matching process to assure successful data matching.

DATA MATCHING PROCESS

In addition to Cash Management, which was discussed in Chapter 3, Data Matching is the second component of the reconciliation process. Data matching is the method of ensuring that all borrower level loan information and cash data on the school's system is matched to the loan and cash data on the LOC system. The data match activity is an essential step in the school's monthly processing of Direct Loans. At least once a month, cash data and any unmatched loan data must be submitted to the LOC in a reconciliation file. All transactions for the year must be reconciled in order to close out the year.

This process compares the records on the school's system with records on file with the Loan Origination Center. The information included in the reconciliation file is comprised of the following:

Loan Detail Records. These records consist of one record each for actual disbursements, actual disbursement adjustments, and actual disbursement cancellations. For 97/98, loan detail records will only be included in the reconciliation file for those transactions not already updated as reconciled through the promissory note or disbursement acknowledgment process.

NEW!!* *97/98

Cash Detail Records. These records include cash receipts (drawdowns) and returns of cash which are matched against LOC records of checks (or electronic funds) received and school drawdowns as reported by the Department.

Cash Summary Records. These records provide a summary of all cash transactions such as total cash receipts and total actual disbursements, total adjusted and canceled disbursements, total returns of cash, and ending cash balance.

DATA MATCH FOR LOAN DETAIL

A reconciliation file consists of unreconciled loan detail records for all disbursement activity that has occurred on loans originated by the school. Disbursement records are submitted to the LOC continuously throughout the month, according to a school's established Direct Loan processing schedule. When a school transmits a reconciliation file to the LOC, the file contains details of the school's loan transactions, which are then matched against the corresponding disbursement records submitted by the school to the LOC.

For Direct Loan Program Years 2 and 3 (95/96 and 96/97 respectively) the school will submit all loan detail records (disbursements, adjustments, and cancellations) along with cash detail (cash receipts and returns of cash) in a reconciliation file which will attempt to match what was already received at the LOC. This data will **only** be matched when this reconciliation file is submitted. If the LOC has not received a disbursement record in its system that matches the loan detail that was included in the reconciliation file submitted by the school, the loan detail record will be returned to the school as unreconciled. The school will research why the record does not match, make the necessary corrections, and resend it in the next reconciliation file.

NEW!! 97/98

For Direct Loan Program Year 4 (97/98) when a **disbursement record** has been received, accepted by the LOC and causes the loan to book, the acknowledgment returned by the LOC with the disbursement record will include a "status flag" indicating that the record has been reconciled. Also, the current amount of the loan that has been disbursed to the borrower (the cumulative gross amount accepted to date at the LOC, including adjustments and cancellations) will be returned with this acknowledgment.

Similarly, when a **promissory note** has been received, accepted by the LOC and results in the loan being booked, the acknowledgment returned by the LOC will include this same "status flag" and the current amount that has been disbursed to the borrower.

Regardless of whether the promissory note or the first disbursement books the loan, all subsequent disbursements that are accepted will contain a reconciliation status flag indicating that the transaction has been reconciled. Additionally, all subsequent transactions for a booked loan will update the current amount that has been disbursed to the borrower since this is cumulative.

Resubmission of a corrected disbursement or promissory note which originally was rejected (status flag "E" for disbursement or promissory note) will result in a reconciliation status of "A" when the last component of the loan is accepted. However, if the school has not imported an acknowledgment for the disbursement or promissory note, the loan detail record will be selected for the reconciliation file. Thus, unless the "status flag" indicates that the record has been reconciled, the record will be included in the reconciliation file.

For Year 4, loan detail records would be included in the reconciliation file only for loans which have not booked. For example:

- A disbursement has been entered into the school's system but not sent to the LOC
- A promissory note has not been sent or accepted by the LOC
- A disbursement or promissory note is in an error status
- A school has failed to import disbursement or promissory note acknowledgments

DATA MATCH FOR CASH DETAIL

As part of the data matching portion of reconciliation, schools are required to match drawdown and return of cash transactions (cash detail transactions) with the LOC. The school must create cash detail records on its system to match with the amounts reported by the Department to the LOC. The school uses its bank account records to obtain the information (date, amount and, if applicable, confirmation number) required to create the cash detail records.

The school will need to research unreconciled records. If a cash detail record is missing, the school should enter the transaction and send for reconciliation on its next attempt. If a school has entered an incorrect date, amount, or confirmation code, the school must enter a reversal of the incorrect record and a new transaction with the correct information.

RULES FOR CASH RECEIPTS

The school must enter a cash receipt transaction for each drawdown received from the Department. The school uses its bank account records to obtain the information (date, amount, and, if applicable, confirmation number) required to create the cash receipt transaction. Cash receipt transactions are governed by the following rules:

- Enter a separate cash receipt transaction for each drawdown, even if more than one drawdown was done on the same day. The LOC matches cash receipts based on record type, amount, date, and confirmation code (optional).
- Cash receipts are year specific beginning with Year 4. Thus the cash receipts must be entered into the appropriate cash database.
- The date of the cash receipt must be the date the funds are deposited into the school's Federal account.
- Do not enter cash receipts in the aggregate or combine them with return of cash transactions. Each transaction is matched as a separate entry.
- Once saved in EDExpress, a cash receipt cannot be deleted. However, the amount can be changed if the record still has a reconciliation status of "R" (ready to send).
- If the school receives a drawdown in error and returns it to the LOC, the school must create both a cash receipt record and a return of cash record.
- Schools must transmit cash receipt transactions regardless of whether the LOC requested the drawdown (Standard and Option 1 Participants) or the school made the request (Option 2 Participants).

ADDING A CASH RECEIPT

A school needs to enter a cash receipt record into its system for each drawdown received. The school sends the cash receipt record(s) to the LOC in the reconciliation batch.

Express Users

Instructions for adding a cash receipt to the cash management database for EDExpress users are provided in Appendix D1.

RULES FOR RETURNS OF CASH

The school must enter a return of cash transaction each time it returns unused funds to the LOC. Excess cash is defined as any amount of Direct Loan funds an institution does not disburse to borrowers by the end of the third business day following the date the institution received those funds. Participation Option 2 schools have an additional seven days to disburse these funds to another eligible borrower. Funds returned to the institution's federal account because an actual disbursement was canceled or adjusted downward are considered idle cash and are governed by this same seven day allowance. These transactions are governed by the following rules:

- Each time a school returns Direct Loan funds to the LOC, it must create a return of cash transaction. The LOC matches return of cash transactions based on record type, amount, date, and confirmation code (if included).

- Unused funds can result from a variety of occurrences at the same time; e.g., a number of ineligible borrowers. Schools should combine these funds into a single return of cash. This will minimize the number of return of cash transactions.

- Return of cash transactions are year specific beginning with Year 4. Thus the transactions must be entered into the appropriate cash database.

- The date of the return of cash should be the date the funds were sent via FEDWIRE or ACH to the LOC. For funds returned via check, the date is the date the check was mailed.

- Cash returned to the Direct Loan Servicer identified as a refund or repayment should not have a corresponding return of cash transaction.

- Do not enter returns of cash in the aggregate or combine them with cash receipt transactions. Each transaction is matched as a separate entry.

- Once saved, a return of cash record cannot be deleted. However, the amount can be changed if the record still has a reconciliation status of "R" (ready to send).

ADDING A RETURN OF CASH

A school needs to enter a return of cash into its system for each time the school returns unused funds to the LOC. The school sends the return of cash record(s) to the LOC in the reconciliation batch.

Express Users

Instructions for adding a return of cash EDExpress users are provided in Appendix D2.

CORRECTING A CASH DETAIL ENTRY

A cash entry in EDExpress cannot be deleted once it is saved. Errors are corrected by adding a reversing entry (same date and confirmation code, transaction amount for the negative amount) to zero out the error. Then another transaction is entered with the correct data.

Express Users

Instructions for correcting a cash receipt for EDExpress users are provided as Appendix D3.

CASH MANAGEMENT DATABASE

The cash management database is specific to EDExpress. This database is used to record all cash receipts and excess cash records.

Express Users

These instructions explain how to view and filter the Cash Management Database in EDExpress and are included in Appendix D4.

DATA MATCH FOR CASH SUMMARY

The balances in the Cash Summary report are matched with the LOC system. Differences in the Cash Summary between the LOC system and the school's system are resolved by correcting the underlying loan detail or cash detail differences which caused the Cash Summary to be unreconciled. The information in the cash summary includes:

- Prior Months' Unreconciled Total
- Total Cash Receipts
- Total Actual Disbursements
- Total Canceled Disbursements
- Total Adjusted Disbursements
- Total Returns of Excess Cash
- Ending Balance
- Net Unbooked Transactions at the LOC
- Ending Balance Per LOC Records

MONTHLY RECONCILIATION PROCESS

The data matching process occurs as the final step in a school's processing cycle of Direct Loans. The data matching activity must be performed **at least every 30 days** and may be conducted more frequently, if needed. Sending more than one file in a period has important advantages. Transmitting a file early in the 30-day period will enable the school to begin resolving unreconciled items immediately. In addition, multiple reconciliation files could mean smaller batches are being transmitted and, if so, this will help shorten the transmission time and reduce the occurrence of transmission errors. Performing this activity on a monthly basis is a regulatory reqirement and it provides a school with the ability to ensure the accuracy of loan information for the school's borrowers.

"AS OF" DATE

When creating a reconciliation file, the school must use as its end date the "as of" date the school has selected. The school must notify the LOC of the "as of" date selected so the LOC can record the date in the LOC system. Schools will only need to contact the LOC about the "as of " date once, unless they wish to make a change. A school can select any day of the month as its "as of" date; however, the date must be used consistently for each reconciliation file submitted. If a school uses the end of the month as its "as of" date, the school must always use the actual last day of each month (for example; February 28, March 31, April 30, etc.).

The school must always use the established "as of" date for the period regardless of how many reconciliation files are submitted by the school. For example, if the "as of" date selected is the end of the month and a school submits a reconciliation file at the end of each week during the month of September, each of the reconciliation files submitted during that month must all have the same "as of" date (September 30), despite the fact that each file was submitted on various dates (September 7, 14, 21 and 29).

After a reconciliation file has been sent for a new reconciliation period, previous periods are closed. When the file for the new reconciliation period is submitted, it will include all unreconciled items. Unreconciled items from a previous period are carried over into the current period and included with the current month's unreconciled items. If not resolved, the unreconciled item will be returned again as unreconciled.

CATCHING UP

Schools must submit a reconciliation file every 30 days. However, if due to extenuating circumstances, a school falls behind in its Direct Loan processes or fails to transmit its first reconciliation attempt until after several months of drawdown and disbursement activity have passed, schools have two options available for reconciling the prior periods.

1. Reconcile with the current period "as of" date. The reconciliation file will include all records previously unreconciled from the beginning of the school's drawdown and disbursement activities.

For example: A school receives its first drawdown in August and begins reporting disbursements. However, the school is unable to submit its first reconciliation file until October. The school has selected the end of the month as its "as of " date and submits its first reconciliation attempt with an "as of" date of October 31st. This reconciliation file will include all loan and cash detail records from August through October 31st.

2. Reconcile each prior period individually and consecutively. The acknowledgment for each period must be imported prior to submitting the next reconciliation file. Any remaining unreconciled items which are not resolved will carry over into the next period.

For example: In early October, the school would submit a reconciliation file for the first previous period that should have been submitted. Since the school's "as of" date is the end of the month, this reconciliation file would have an "as of" date of August 31. The school would import the acknowledgment for this file, resolve any unreconciled items and send in a file for the next previous period. This next reconciliation file would have an "as of" date of September 30 and would include the September loan and cash detail records and all previously unreconciled records from the August file that have been corrected by the school. The school proceeds in this manner until it is caught up with the current period.

RECONCILIATION FILE

Schools send their cash summary, cash detail and loan detail in the reconciliation file. EDExpress schools use the export reconciliation command to prepare the reconciliation batch. Loan detail and cash detail status flags are then set to "B" for batched. Schools should always back up their system before running the reconciliation export.

Reconciliation is performed by school code. Multiple campus schools using the "G" and "E" codes must run the export reconciliation command for each "G" or "E" code. Reconciliation balances will be compared to data the LOC received on the Allocation/Reallocation Reconciliation statement.

SEPARATE YEAR 3/YEAR 4 RECONCILIATION FILE

NEW!!
97/98

As noted previously, the school will need to send a separate reconciliation file for the 97/98 award year and the 96/97 award year (including prior award years, if applicable). If using EDExpress, the school would export the 97/98 file from the 97/98 database, and the 96/97 file from the 96/97 database. The school can send the files at different times and frequencies.

EXPORTING RECONCILIATION FILE

Schools need to export and transmit a reconciliation file to the LOC to perform the data match of cash detail and any unreconciled loan detail. Prior to sending a Reconciliation File, review the "Reconciliation Checklist" which is included as Appendix F1.

Express Users

Instructions for exporting the reconciliation acknowledgment in EDExpress are provided as Appendix D5.

IMPORTING RECONCILIATION ACKNOWLEDGMENT

The reconciliation report will be returned within 72 hours by the LOC. By importing the reconciliation report, the reconciliation status of the records in the batch are updated to "A" (reconciled) or "E" (unreconciled) in the school's system.

Each matched record is considered reconciled. Each unmatched record is considered unreconciled. Unreconciled records contain a code that explains the discrepancy. The school must determine the reason for each unreconciled record and make changes, if needed, to resolve the problem. Unreconciled records should be resubmitted in the next reconciliation export file.

Express Users

Instructions for importing the reconciliation file in EDExpress are provided as Appendix D6.

CHAPTER 5

RECONCILIATION PROBLEMS/RESOLUTIONS

ABOUT THIS CHAPTER

This chapter will explain some typical problems encountered during the reconciliation process and how those problems might be solved.

OBJECTIVES OF CHAPTER FIVE

PARTICIPANTS WILL BE ABLE TO:

1. Understand how to handle reconciliation batches that are submitted but not processed by the LOC.
2. Diagnose problems with their cash summary and their cash detail records
3. Diagnose problems with their loan detail records and understand how to resolve those problems for the 97/98 award year and all prior years.

COMMON RECONCILIATION PROBLEMS/RESOLUTIONS

In order to assist schools with resolving unreconciled items in the Cash Summary, Cash Detail and Loan Detail sections of the reconciliation acknowledgment, a list of common problems and resolutions follows:

A. SUBMISSION ERRORS:

1. **Problem**: ***The entire reconciliation file is returned as rejected by the LOC.***

    Potential Cause 1: The school entered the wrong "as of" date.

    Resolution 1: Import the acknowledgment from the rejected file. Export another reconciliation file using the correct "as of" date.

    Potential Cause 2: The school reconciled for a period prior to the period covered in the last reconciliation file (for example, the last reconciliation file was for the period 9-30-97 and the school submitted a new file through 8-31-97).,

    Resolution 2: Import the acknowledgment from the rejected file. Export another reconciliation file using a later "as of" date (such as 9-30-97 or 10-31-97).

    Potential Cause 3: The school reconciled for a period in the future, beyond the next month (the LOC will only accept a future date through the next month, e.g., the current month is September, can send through the end of October but not for November. This will reject at the LOC).

    Resolution 3: Import the acknowledgment from the rejected file. Export another reconciliation file using the current month's "as of" date of the next month's "as of" date.

2. **Problem**: ***The reconciliation file is not processed by the LOC.***

    Resolution: This usually occurs when there is something wrong with the file: incomplete transmission, duplicate batch, etc. Thus if the school does not receive a timely acknowledgment, the school should call the LOC for assistance. The records that were included in the batch will have a reconciliation status of "B" for batched. The status of these transactions need to be reset so they can be resent to the LOC. In a situation such as this, schools should work with their Account Manager, NCS, their third party servicer, or their software vendor.

B. CASH SUMMARY:

1. Problem: ***The school's cash summary balances do not match the summary balances at the LOC.***

Potential Cause 1: This will occur when any cash or loan detail records are unreconciled.

Resolution 1: The school should resolve any unreconciled items and then resubmit a reconciliation file using the same "as of" date. If all records are then reconciled, the summary balances should also reconcile. If not, the school should contact the LOC.

Potential Cause 2: The school has disbursement records recorded on its system that have not been submitted to the LOC.

Resolution 2: Review reports for a disbursement status of not accepted. The school will need to export a disbursement file and transmit these records to the LOC. The school then needs to export a reconciliation file and transmit it to the LOC.

C. CASH DETAIL (Date Discrepancies, Amount Discrepancies and Omission Errors):

***Date Discrepancies*:**

1. **Problem**: ***The cash receipt record the school sent in the reconciliation file does not match the LOC's due to date discrepancy.***

   Resolution: The school needs to verify that cash receipts were posted with the date the money was deposited in its bank account. If the school's date is correct, the school should contact the LOC. LOC needs to correct its date or manually reconcile the record. If the school's date is incorrect, the school needs to reverse out the entry and add another entry with the correct date (Refer to Appendix E1-3).

2. **Problem**: ***The school's record showing return of cash does not match LOC's due to date discrepancy.***

   Resolution: The school needs to verify that the date they posted the transaction was the date the check was mailed (not the date of the check) or the date of the ACH or FEDWIRE transaction. If the school's date is correct, the school should contact the LOC since the LOC will need to correct its date or manually reconcile the record. If the school's date is incorrect, the school needs to reverse out the entry and add another entry with the correct date.

***Amount Discrepancies*:**

1. **Problem**: ***The cash receipt and/or return of cash record the school sent in the reconciliation file does not match the LOC due to the school drawing down multiple times or sending back multiple excess cash records but recording only one transaction in its software.***

   Resolution: One entry should be recorded in the software for each drawdown or return of cash. The school needs to reverse out the incorrect entry and record an entry for each separate transaction.

2. **Problem**: ***The cash receipt and/or return of cash record the school sent in the reconciliation file does not match the LOC.***

   Resolution: The school should verify the amount of the drawdown or return of cash. If the school's amount is incorrect, the school should reverse out the incorrect entry and add the correct entry. If the school's amount is correct, the LOC needs to change its amount.

Omission Errors:

1. **Problem**: ***The school sent a cash receipt record but the LOC does not have a matching record.***

Potential Cause 1: The school or LOC incorrectly posted the cash receipt.

Resolution 1: The school should verify that the cash receipt is a Direct Loan drawdown and not other Title IV funds. If the school is correct, the LOC may have posted the cash receipt to the wrong school. If the school is incorrect, the school needs to reverse out the entry.

Potential Cause 2: The school submitted two records for the same drawdown in the school's reconciliation file.

Resolution 2: The school should reverse out one of the double entry.

Potential Cause 3: The cash receipt was posted to the incorrect award year by the LOC.

Resolution 3: The school should contact the LOC to request that the data be posted to the correct award year on the LOC's system (refer to DLB 97-30 in Appendix A-4).

2. **Problem**: ***The LOC has a cash receipt record posted, but the school has not submitted a matching record in the reconciliation file.***

Potential Cause 1: The school failed to enter the cash receipt in its software.

Resolution 1: The school needs to enter the cash receipt in its software using the correct amount and the date the money was deposited in the school's bank account.

Potential Cause 2: The record is in the school's software but the reconciliation status indicates batched.

Resolution 2: This may have occurred because the school did not import an acknowledgment from a previous reconciliation file or the school exported a reconciliation file but never transmitted it to the LOC. The school may need to change the reconciliation status from B to R so that these records will be included in the next reconciliation file. This should only be done with the assistance of NCS or an Account Manager.

NOTE: The school should ALWAYS make sure that all reconciliation acknowledgments have been imported before exporting another reconciliation file or before changing any reconciliation status. Additionally, the school should ALWAYS make sure that all files that are batched have been transmitted to the LOC.

Potential Cause 3: The LOC applied the cash receipt to the wrong school.

Resolution 3: The school needs to call the LOC to request the LOC reverse out the entry and post it to the correct school.

3. **Problem**: ***The school is sending a return of cash record but the LOC does not have a matching record***.

   Potential Cause 1: The return of cash was posted incorrectly as a prepayment to the student's record.

   Resolution 1: The school should verify whether the transaction should be a payment or return of cash. If it should have been a payment, the school needs to reverse out the entry (not adjust/cancel the disbursement). If it should be an excess cash transaction (there should be an adjustment/cancellation to the disbursement), the school needs to call the LOC and have the payment reversed and entered as excess cash.

   Potential Cause 2: The LOC has not received the return of cash.

   Resolution 2: The school should verify that the excess cash funds were actually returned to the correct address. If the funds were appropriately returned, the school should contact the LOC to determine why the funds have not been received by the LOC.

   Potential Cause 3: The LOC posted the transaction to the wrong school.

   Resolution 3: The school should call the LOC to request the LOC reverse the entry and post it to the correct school.

   Potential Cause 4: The school submitted two records for the same excess cash transaction in the school's reconciliation file.

   Resolution 4: The school should reverse out the double entry.

4. **Problem**: ***The LOC has a return of cash record posted but the school is not sending a matching record in the reconciliation file.***

   Potential Cause 1: The school failed to enter the return of cash record in its software.

   Resolution 1: The school needs to enter the return of cash record in its software using the correct amount and the date the check was mailed or the date of the ACH or FEDWIRE.

   Potential Cause 2: The record is in the school's software but the reconciliation status is Batched.

Resolution 2: This may have occurred because the school did not import an acknowledgment from a previous reconciliation file or the school exported a reconciliation file but never transmitted it to the LOC. The school may need to change the reconciliation status from B to R so that these records will be included in the next reconciliation file. This should only be done with the assistance of NCS or an Account Manager.

NOTE: The school should ALWAYS make sure that all reconciliation acknowledgments have been imported before exporting another reconciliation file or before changing any reconciliation status. Additionally, the school should ALWAYS make sure that all files that are batched have been transmitted to the LOC.

Potential Cause 3: The LOC applied the excess cash record to the wrong school.

Resolution 3: The school needs to call the LOC to request that the LOC reverse the entry and post it to the correct school.

Potential Cause 4: The school sent back the funds as a payment to the student's record, but the LOC recorded it as an excess cash transaction.

Resolution 4: The school should verify whether the transaction should be a payment or return of cash. If it should have been a payment, the LOC needs to reverse out the excess cash entry. If it should be an excess cash transaction, the school needs to enter an excess cash transaction and adjust/cancel the student's disbursement.

Potential Cause 5: Excess cash submitted by the school was posted to the incorrect award year by the LOC.

Resolution 5: The school should contact the LOC to request that the data be posted to the correct award year on the LOC's system (refer to DLB 97-30 in Appendix A-4).

D. LOAN DETAIL (Missing Data and Mismatched Data):

Missing Data:

1. **Problem**: ***The school submitted a disbursement, adjustment, or cancellation record in the reconciliation file but there is no matching record on the LOC's side.***

   Potential Cause 1: The school has not exported or **transmitted** the disbursement, adjustment, or cancellation record to the LOC in a disbursement batch.

   Resolution 1: The school needs to transmit the disbursement batch to the LOC.

   For Direct Loan Program Year 2 and 3 (95/96 and 96/97), the record should reconcile when the school send its next reconciliation file.

   For Direct Loan Program Year 4 (97/98), the record will reconciled when the disbursement has been acknowledged by the LOC (assuming the loan books with this item).

   Potential Cause 2: The record has not booked due to missing or rejected promissory note and/or loan origination record.

   Resolution 2: The school should run reports to determine which item does not have an A (accepted) status. The school then needs to submit the missing item.

2. **Problem**: ***The LOC has a disbursement, adjustment, or cancellation record, but the school did not send a matching record in its reconciliation file.***

   Potential Cause: The school needs to transmit a reconciliation file to the LOC with the corresponding loan detail record. The school should also check to see whether the record(s) has a reconciliation status of B for batched.

   Resolution: This may have occurred because the school did not import an acknowledgment from a previous reconciliation file or the school exported a reconciliation file but never transmitted it to the LOC. If the school failed to export the reconciliation batch, the school should simply resend the batch. If the batch was exported, but never imported, then the school should work with their account manager, LOC representative or NCS help desk.

   NOTE: The school should ALWAYS make sure that all reconciliation acknowledgments have been imported before exporting another reconciliation file. Additionally, the school should ALWAYS make sure that all files exported are transmitted.

Mismatched Data:

1. **Problem**: ***The record the school submitted does not match the LOC's record because the dates are different.***

   Potential Cause: The school sent a disbursement, adjustment, or cancellation record in a disbursement batch with one date and then the school sent the same record in a reconciliation batch with a different date.

   Resolution: If the date in the disbursement batch was correct, then the school should correct the date in the reconciliation batch. If the date in the disbursement batch is incorrect, there is no way to change the date. The disbursement or loan has to be canceled in order to send a new disbursement with the correct date.

   Note: The disbursement date is what drives the calculation of interest. If this date is incorrect, the student will not be charged correctly for interest accrued.

2. **Problem**: ***The record the school submitted does not match the LOC's record as the amounts are different.***

   Potential Cause 1: The school sent a disbursement, adjustment, or cancellation record in a disbursement batch with one amount and then the school sent the same record in a reconciliation batch with a different amount.

   Resolution 1: If the amount in the disbursement batch was correct and has been accepted by the LOC, the school must send this same disbursement to reconciliation. If the disbursement amount is incorrect, the school needs to transmit an adjustment transaction.

CHAPTER 6

MANAGING DATA

ABOUT THIS CHAPTER

This chapter is designed to give tips on reading and manipulating data in EDExpress in order to determine where a school's data matching/cash resolution needs are. It is not enough to know what a record problem is, e.g., missing disbursement record or missing prom note manifest, but it is necessary to know where to go to see what record(s) may be the root cause of the problem. This is best accomplished through the use of queries and printing reports as a result of those queries. Reconciliation and Batch Control Measurement reports provide valuable assistance in quality control. Additionally, through the use of consistent "cycling" of your data and accurate recording of transmission events to the LOC, you will also be able to avoid many of the "missing records" errors that occur to some Direct Loan database users.

OBJECTIVES

PARTICIPANTS WILL BE ABLE TO

- Construct and print queries
- Use Reconciliation and Batch Control Measurement reports
- Set up data processing cycles
- Set up production schedules
- Learn to keep track of transmitted data

USER DEFINED QUERIES

A query, literally called a User Defined Query, or UDQ, is a logical statement, or pre-defined set of criteria, that "filters" a particular database in order to limit data requested to a specified group. For example, you may want to produce a query that lists the statuses of only the first disbursements of the entire database, of grade levels 1 and 2. For each type of application, you must define a query that best selects the desired group.

TIPS FOR QUERIES

When you construct a User Defined Query (UDQ) in EDExpress, some basic rules apply:

- The only connectors available are **And** and **OR**.
- The queries are processed from left to right, or beginning to end. In other words, the **Data Element field** (below **Title**), is filled in first, followed by **Operator** and **Value**.
- **OR** divides a UDQ into sections and selects record if any section is true.

1. **Description**: If one or more **AND** connectors appears in a statement, the software applies the AND(s) from left to right in the statement. **AND** means all conditions that have been joined must be true for the UDQ to select records.

   Example:
   Dependency Status = D **AND** *State of Residency = VA* **AND** *Verification selection = Y*

   In this example, the software will first attempt to compare the dependency status, then the residency, and finally the verification. If the record does not meet all three criteria, it will not be selected.

2. **Description**: **OR**s divide the query into sections, and if any of the sections before or after the **OR** are true, the record will be selected.

   Example:
   Dependency status = D **OR** *State of Residency = VA*

   (Dependency status = D) is a complete statement, and if it is true, the record will be selected.

   OR

   (State of Residency = VA) is a complete statement, and if it is true, the record will be selected.

   Note: Records with neither statement true will not be selected.

WHY USE QUERIES

Queries can be used for a variety of reasons in polling the database of your financial student population, but one of the most important uses is for determining record status. The primary foundation of sound loan management in Direct Loans begins with "booking the loan," which has been discussed in previous chapters. Loans do not book for various reasons, but one of the biggest reasons why they do not book is simply because of missing records, mostly disbursement records. Sometimes the PN and disbursement records reject because of rejected loan origination records, or for erroneous data entry. It is incumbent upon the Direct Loan school administrator to determine where loans are not booking, and one of the best methods is through the use of queries.

NOTE: IF YOU CAN CONTINUOUSLY MONITOR YOUR LOAN ORIGINATION RECORDS, PROM NOTES, AND DISBURSEMENT RECORDS SO THEY ARE IN "A" STATUS (ACCEPTED), THEN THE RECONCILIATION PROCESS WILL BE FACILITATED IN A WAY THAT WILL MAKE YOUR DATA MANAGEMENT MUCH MORE MANAGEABLE.

CREATING THE QUERY

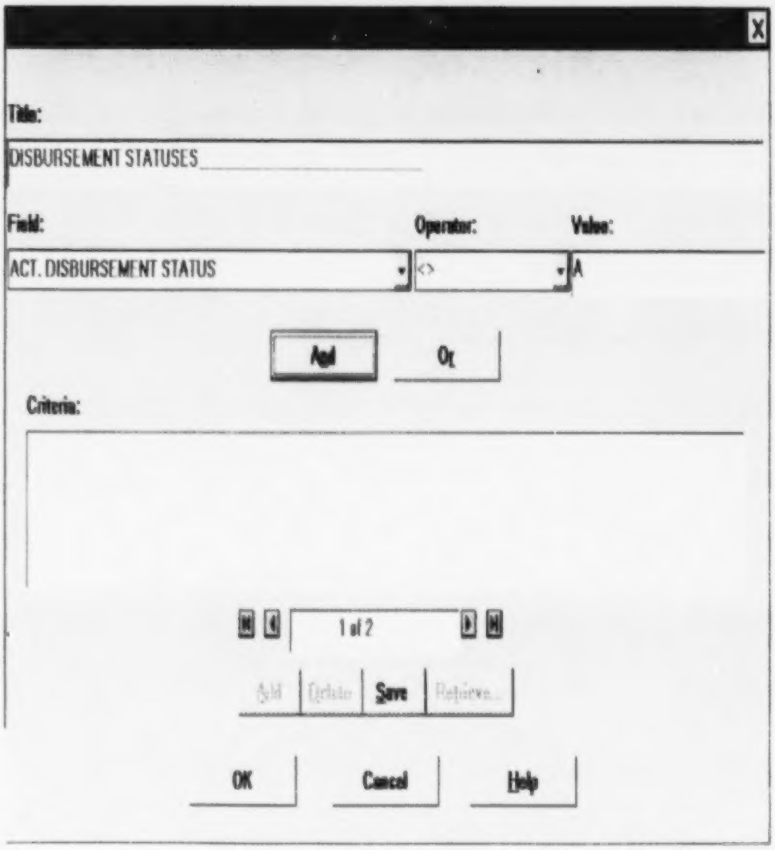
The basic query contains four elements that must be filled out, and a step-by-step explanation follows:

Title
Field (Data Element)
Operator
Value

To begin the querying process in EDExpress, from the main menu click on **Tools/Query/Direct Loan** and a blank Query Loan Database screen appears. Click on **Add** and put the cursor in the field called **Title**. Type in a query name which is generally related to the type of data for which you are polling. If you are querying for statuses of 1st disbursements, then DISBURSEMENT STATUSES might fit for a title. After selecting **Title**, tab to the next field. On the next page you will find the EDExpress screen that shows how this is done.

1. **TITLE**: This is the name of the query, generally related to the type of data that you are trying to extract.

2. **Field (Data Element)**- You must select a file type from the pull down list by clicking on the down arrow located on the right edge of the **Field** box. A few of these data elements might be Loan Amount, Loan Status, or Grade Level.



Title: DISBURSEMENT STATUSES

Field: ACT. DISBURSEMENT STATUS

Operator: <>

Value: A

3. **Operator-** Consists of the following terms:

=	equals
<	less than
< >	not equal to
>=	greater than or equal to
<=	less than or equal to
>	greater than

4. **Value-** Enter free form or system assigned value (03, A, e.g.). It can be either an alpha or numeric reference.

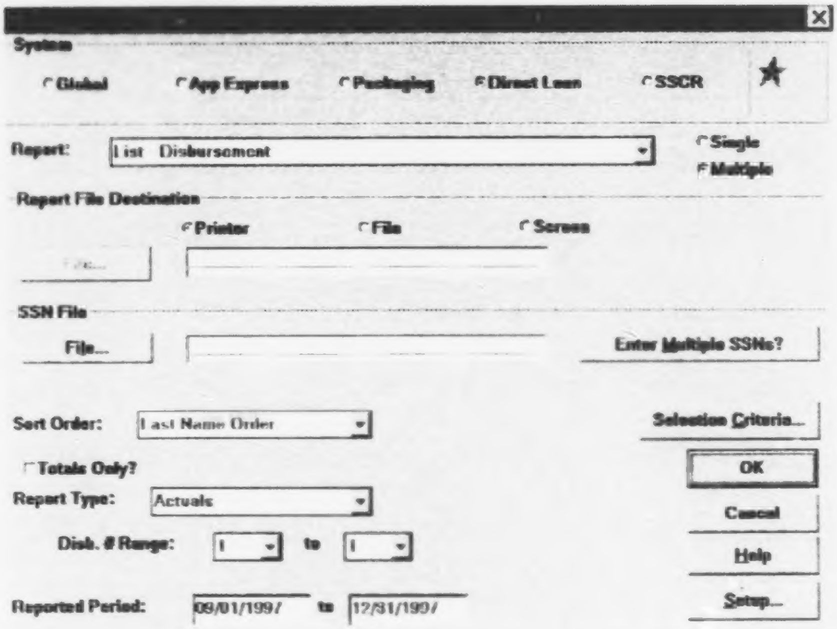
5. Additional elements may be added by use of the connectors **AND** and **OR,** which means you can request both the Grade Level **AND** Prom Note status on the same query.

6. After the query is completed, do not forget to click on the **Save** button located near the bottom of the screen. The example above illustrates an EDExpress query created for listing all actual disbursements not in **A** (accepted) status. Please note the data inserted in **Field**, **Operator**, and **Value** that define the query.

PRINTING QUERIES

Printing queries is like any other print function in EDExpress. From the main menu of EDExpress, click on File/Print and the Print Menu pops up, as illustrated in the picture on the next page. Use the instructions beside the picture for printing a disbursement status list using the DISBURSEMENT STATUSES query created in the previous section.

PRINT PAGE ACTIVITY


System

○ Global ○ App Express ○ Packaging ● Direct Loan ○ SSCR

Report: List Disbursement

○ Single

● Multiple

Report File Destination

● Printer ○ File ○ Screen

SSN File

Sort Order: Last Name Order

☐ Totals Only?

Report Type: Actuals

Disb. # Range: 1 to 1

Reported Period: 09/01/1997 to 12/31/1997

a. Click on Direct Loan at the top of the menu.

b. For Report, select **"List – Disbursement"** and click on Multiple.

c. Select **Printer** as Report file Destination.

d. For Sort Order, select either Last Name or SSN Order.

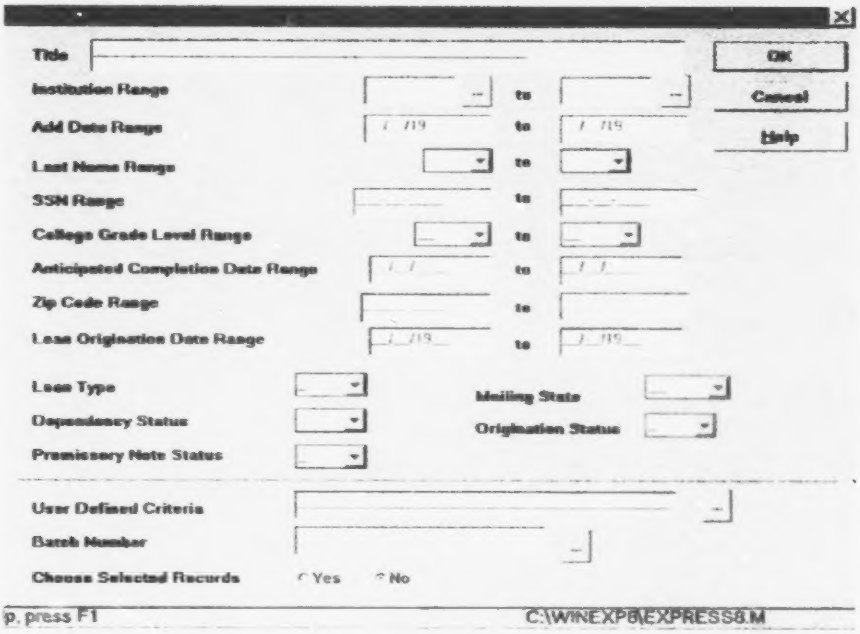
e. **Report Type** will be Actuals.

f. **Disb # Range** will be 1st disbursement only; so enter 1 in both fields.

g. **Reported Period**, fall semester, e.g., may be 09/01/1997 to 12/31/1997

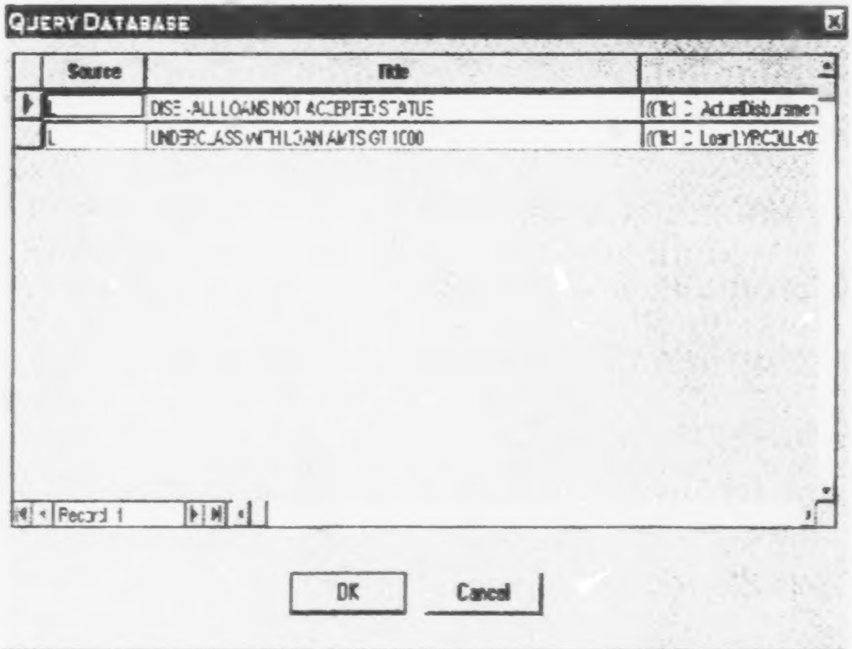
BEST COPY AVAILABLE

1. Now that the primary print functions have been selected, click on the button in the lower right hand screen that says Selection Criteria. This brings you to the Selection Criteria screen from which you will select the **DISBURSEMENT STATUSES** query.


Title
OK
Institution Range
to
Cancel
Add Date Range
to
Help
Last Name Range
to
SSN Range
to
College Grade Level Range
to
Anticipated Completion Date Range
to
Zip Code Range
to
Loan Origination Date Range
to
Loan Type
Mailing State
Dependency Status
Origination Status
Promissory Note Status
User Defined Criteria
Batch Number
Choose Selected Records
Yes
No
p. press F1
C:\WINEXP8\EXPRESS8.M

Choose Selected Records ○ Yes ● No

a. Click on the Elipsis button to the far right of the **User Defined Criteria** box .


QUERY DATABASE
Record 1
OK
Cancel

Source	Title	
L	DISB -ALL LOANS NOT ACCEPTED STATUS	((Tbl [illegible] ActualDisbursemen
L	UNDERCLASS WITH LOAN AMTS GT 1000	((Tbl [illegible] Loan1YRCOLL<0

b. This brings up a query database, which lists all the queries available.

c. Highlight the desired query & click **OK**.

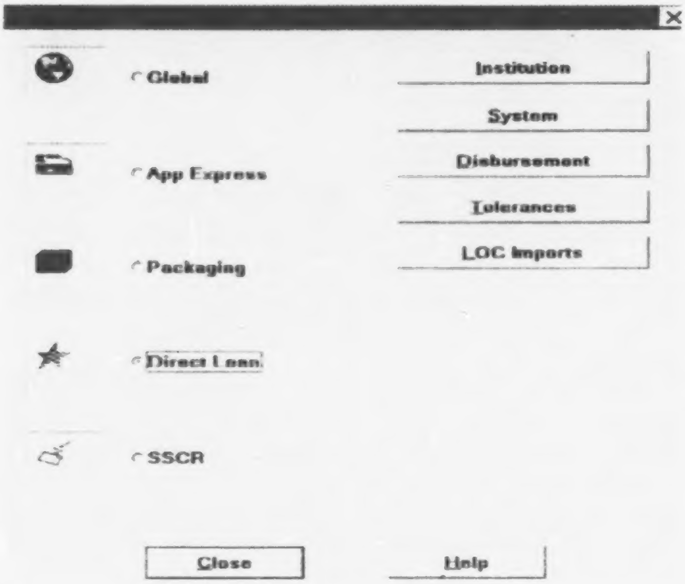
d. Click **OK** again.

e. Click **OK** on the bottom right hand corner of the print screen.

BEST COPY AVAILABLE

MEASUREMENT TOOLS

RECONCILIATION MEASUREMENT REPORT

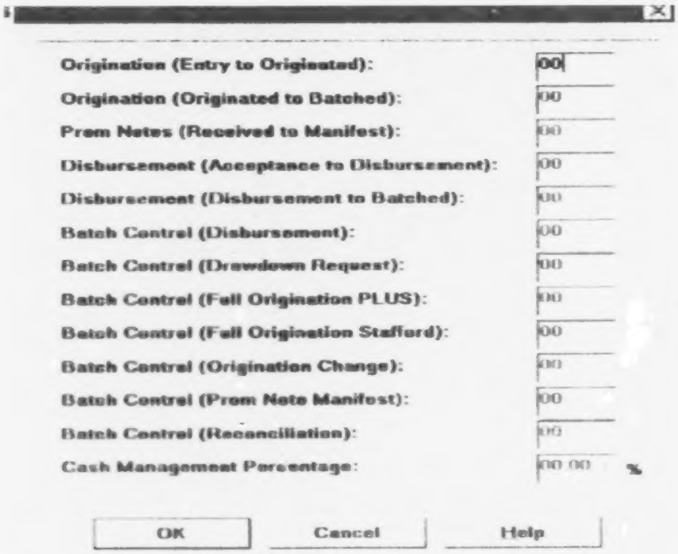


Various measurement tools (printing) assist in evaluating your overall loan process and assist in quality assurance for the Direct Loan Program. In **System Setup**, you can set your school's tolerances in several areas, which act as a filter when you print the associated measurement report.

Select Tools, Set Up from the EDExpress Menu.

Click **Direct Loan**.

Click **Tolerances**.


Origination (Entry to Originated): 00

Origination (Originated to Batched): 00

Prom Notes (Received to Manifest): 00

Disbursement (Acceptance to Disbursement): 00

Disbursement (Disbursement to Batched): 00

Batch Control (Disbursement): 00

Batch Control (Drawdown Request): 00

Batch Control (Full Origination PLUS): 00

Batch Control (Full Origination Stafford): 00

Batch Control (Origination Change): 00

Batch Control (Prom Note Manifest): 00

Batch Control (Reconciliation): 00

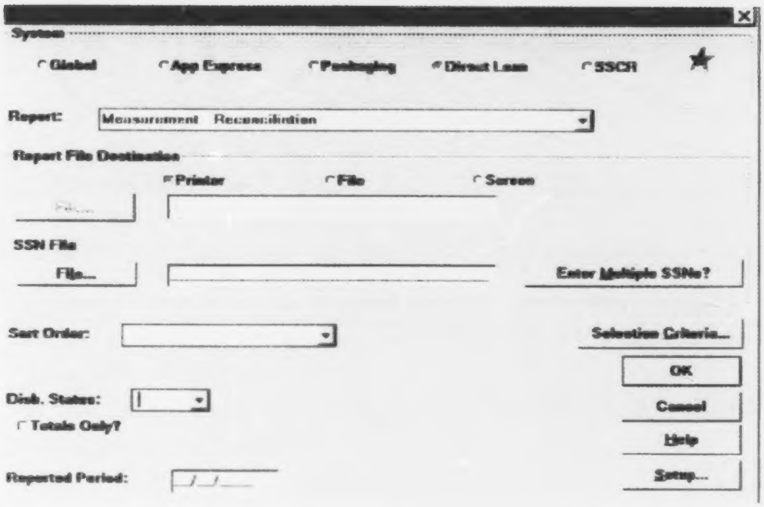
Cash Management Percentage: 00.00 %

Type the desired tolerance Measure for each field.

Click **OK**.

On the next screen, after completing the **Setup/Tolerances**, go to **File, Print**, click on the down arrow to the right of **Report,** and select **Reconciliation – Measurement.** Then select **Sort Order** and **Reported Period** (ending period date).

BEST COPY AVAILABLE


System
○ Global
○ App Express
○ Packaging
● Direct Loan
○ SSCR
Report:
Report File Destination
● Printer
○ File
○ Screen
File...
SSN File
File...
Enter Multiple SSNs?
Sort Order:
Selection Criteria...
OK
Disb. Status:
Cancel
☐ Totals Only?
Help
Reported Period:
Setup...

System: Direct Loan

Report: Measurement Reconciliation

Report File Destination: Printer

The picture to the left displays the EDExpress print screen for printing the Reconciliation Measurement Report.

A **sample Reconciliation Measurement Report** appears below.

```
Report Date   99/99/99        U.S. DEPARTMENT OF EDUCATION        Page: 1
Report Time:  99/99/99           Federal Direct Loan Program
                          1997-98 Reconciliation Measurement Report
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
THIS DOCUMENT CONTAINS SENSITIVE INFORMATION PROTECTED BY THE PRIVACY ACT

Reconciliation Period: 07/01/1997 to 08/01/1997
Records Ready for Reconciliation
                                                   Orig    Pnote    Disb
Borrower' Name           Loan ID                   Sts     Sts      Sts/#    Type
--------------------     ------------             -------  -------- -------- ---------
JOHNSON, MAGIC           123456789S98G9999901      A       E        R 1      G
JOHNSON, MAGIC           123456789U98G9999901      A       A        A 1      C
JOHNSON, HARRY           023456789P98G9999901      A       A        R 1      C
SIMPSON, BART            987654321S98G9999901      A       S*       B 1      G
SIMPSON, BART            987654321S98G9999901      A       S        R 2      A

B = Batched Origination Records                1000          12.50%
E = Rejected Origination Records                500           6.25%
A = Accepted Origination Records               6500          81.25%

S = Signed Promissory Notes                    4000          50.00%
S* = Prom Notes Sent on Manifest               4000          50.00%
E = Rejected Promissory Notes                     0          00.00%
A = Accepted Promissory Notes                     0          00.00%

R = Ready Disbursement Records                 2000          25.00%
B = Batched Disbursement Records               2000          25.00%
E=  Rejected Disbursement Records              2000          25.00%
A = Accepted Disbursement Records              2000          25.00%
L = Accepted But Not Applied Disb Records         0          00.00%
```

Reconciliation Report Sample (CONT)

```
Report Date:  99/99/99      U.S. DEPARTMENT OF EDUCATION        Page: 2
Report Time:  99/99/99          Federal Direct Loan Program
                          1997-98 Reconciliation Measurement Report
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
THIS DOCUMENT CONTAINS SENSITIVE INFORMAITON PROTECTED BY THE PRIVACY
ACT

Reconciliation Period: 07/01/1997 to 08/01/1997
Records with Reconciliation Errors
                                              Orig    Pnote   Disb
Borrower' Name          Loan ID               Sts     Sts     Sts/#   Type
------------------      ----------            -----   -----   -----   -----
JOHNSON, MAGIC          123456789S98G9999901   A       E       R 1     G
JOHNSON, MAGIC          123456789U98G9999901   A       A       A 1     C
JOHNSON, HARRY          023456789P98G9999901   A       A       R 1     C
SIMPSON, BART           987654321S98G9999901   A       S*      B 1     G
SIMPSON, BART           987654321S98G9999901   A       S       R 2     A

B = Batched Origination Records            1000         12.50%
E = Rejected Origination Records            500          6.25%
A = Accepted Origination Records           6500         81.25%

S = Signed Promissory Notes                4000         50.00%
S* = Prom Notes Sent on Manifest           4000         50.00%
E = Rejected Promissory Notes                 0         00.00%
A = Accepted Promissory Notes                 0         00.00%

R = Ready Disbursement Records             2000         25.00%
B = Batched Disbursement Records           2000         25.00%
E=  Rejected Disbursement Records          2000         25.00%
A = Accepted Disbursement Records          2000         25.00%
L = Accepted But Not Applied Disb Records     0         00.00%
```

BATCH CONTROL MEASUREMENT REPORT

This report monitors the process of creating, transmitting, and importing batches. Institution tolerances (or guidelines) are set for the number of days each type to batch should take to complete. When setting these tolerances, keep in mind the LOC's processing time, institutional procedures for exports and imports, and other specifics associated with your institutions communication software/hardware configuration.

This report can be utilized as part of a continuous improvement evaluation performed at regular reporting intervals in order to identify possible bottlenecks or inefficiencies in your current procedures.

- Procedures for sending and receiving data from the network – Are there procedures in place to ensure timely transmission of data? Do these procedures include steps for export and import into your system.

- Critical time batch processing – Processing batches efficiently may be more important during periods of high volume. You may want to set the report period to evaluate you batch control during these critical processing periods.

Batch Control Sample

```
Report Date:  99/99/99      U.S. DEPARTMENT OF EDUCATION          Page: 99
Report Time:  99/99/99         Federal Direct Loan Program
                             Batch Control Measurement Report
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
THIS DOCUMENT CONTAINS SENSITIVE INFORMAITON PROTECTED BY THE PRIVACY ACT

Reported Period:   07/01/1997 to 08/01/1997
Institution Code:  G12345
                                          Date        Import      Days
Batch ID           Batch Type             Batched     Date        Elapsed
------------       -------------          ---------   -------     --------
#DG99999020198801  FULL ORIG STAFF        02/01/1998              13*
#DG99999020298801  FULL ORIG STAFF        02/02/1998  02/03/1998   1
#DG99999020398801  FULL ORIG STAFF        02/03/1998  02/05/1998   2
#DG99999020498801  FULL ORIG STAFF        02/04/1998  02/08/1998   4
#DG99999020598801  FULL ORIG STAFF        02/05/1998  02/08/1998   3
#DG99999020698801  FULL ORIG STAFF        02/06/1998  02/10/1998   4
#DG99999020798801  FULL ORIG STAFF        02/07/1998  02/09/1998   2

Full Origination Stafford
        Average Days Elapsed      4.14
        Recommended Tolerance      5

#AG99999020198801  PROM NOTE MANIF        02/01/1998  02/18/1998  17
#AG99999020298801  PROM NOTE MANIF        02/02/1998  02/20/1998  18
#AG99999020398801  PROM NOTE MANIF        02/03/1998  02/29/1998  29

Prom Note Manifest
        Average Days Elapsed:     20.33
        Recommended Tolerance:     10
```

Batch ID's

A batch ID is the identification number assigned to each batch when you export a file from EDExpress, generally to the IAM\DATA subdirectory. You can get this number from the export statistics box each time you complete an export, or from the Batch Activity Database. For example, the Batch ID #AG91234020997801 is broken down by its respective components in the below example. **See the Appendix for a list of Batch Types.**

#A	G91234	020997	8	01
Batch Type	School Code	Date Created	Year	Sequence Number

Message Classes

A message class is the name for your exported file. This is also the default "File Name" field in the export window. An example of an exported full origination record would be shown as **C:\IAM\DATA\DESF98IN.001**. This message class is broken down by its component parts in the below example. **See the Appendix for a list of Message Classes.**

#DESF	98	IN
Type of Data	Cycle Year	Input or Output

PROCESSING CYCLES

A processing cycle involves accurate tracking of the various stages of sending and receiving records to and from the LOC, from loan origination to final disbursement. A cycle is not complete until you finish the last activity in it, and the last activity is usually the acknowledgment. The following charts represent five basic Direct Loan processing cycles, and each illustrates the conceptual processes that are required to complete the cycle.

Full Origination	
Start	**Finish**
▪ Export Full Origination Record ▪ Origination Status will = **B** ▪ Create Batch ID (**#D**) in Batch Control Database ▪ Format and Transmit Message Class (**DESF, DEPF**) with Communications Interface (**EDconnect**)	▪ Receive **DISF, DIPF** in Communications Interface (**EDconnect**) ▪ Import Full Summary Acknowledgment ▪ Origination status will = **A** or **E** ▪ **#D** Batch is Confirmed **Note:** Only records with Status of "A" are considered accepted

Changes

Start	Finish
▪ Export Changes ▪ Create Batch ID (**#E**) ▪ Transmit Message Class DESC with **EDconnect**	▪ Receive **DIOC** with **EDconnect** ▪ Import Change Acknowledgments ▪ Change will = **A** or **E** ▪ **#E** Batch is Confirmed

Promissory Notes

Start	Finish
▪ Export Manifest ▪ PN Status will = **S** ▪ Create Batch ID (**#A**) ▪ Transmit Message Class **DEPM** with **Edconnect** ▪ Mail Promissory Notes to LOC	▪ Receive **DIPA** with **EDconnect** ▪ Import Promissory Note confirmation ▪ Prom Note status will = **A** or **E** ▪ **#A** Batch is Confirmed

Actual Disbursements, Adjustments to Actual Disbursements and Cancellation to Actual Disbursements

Start	Finish
▪ Export Disbursement ▪ Origination Status will = **B** ▪ Create Batch ID (**#H**) ▪ Transmit Message **DESD** with **EDconnect**	▪ Receive **DIOD** with **EDconnect** ▪ Import Disbursement acknowledgments ▪ Disbursement status will = **A** or **E** ▪ Change is accepted or rejected ▪ **#H** Batch is Confirmed

Reconciliation

Start	Finish
▪ Export Reconciliation ▪ Reconciliation Status and Cash & Loans will = **B** ▪ Create Batch ID (**#L**) ▪ Transmit Message Class **DERC** with **EDconnect**	▪ Receive **DIRC** in **EDconnect** ▪ Import Reconciliation Acknowledgment ▪ Reconciliation Status and Cash & Loans will = **A** or **E** ▪ **#L** Batch is Confirmed

BEST COPY AVAILABLE

Production Schedules

One of the most important components of the EDE process is the management of your data. You need to know where it is stored, when you transmitted a batch, and when you received data from a processor. The first step to good data management is creating a processing schedule and the following table provides examples for sending and receiving data to and from the LOC.

	Monday	Tuesday	Wednesday	Thursday	Friday
A.M.	Import Full/Acks			Import Full/Acks	
	Import PLUS Credit Updates			Import PLUS Credit Updates	
	Import Change Acks			Import Change Acks	
	Import PN Acks			Import PN Acks	
	Import Disb Acks			Import Disb Acks	
All Day	Enter Loan Records/Changes	Enter Loan Records/Changes	Enter Loan Records/Changes	Enter Loan Records/Changes	Enter Loan Records/Changes
	Record PN's Signed	Record PN's Signed	Record PN's Signed	Record PN's Signed	Record PN's Signed
	Record/Adj Disbs	Record/Adj Disbs	Record/Adj Disbs	Record/Adj Disbs	Record/Adj Disbs
P.M.			Export Full Orig * Records		Export Full Orig * Records
			Export Change Records		Export Change Records
		Print Prom Notes		Print Prom Notes	
			Export Manifest		Export Manifest
			Mail Notes to LOC		Mail Notes to LOC
		Print Mailing Lables from Prom Note Batch = todays batch	Export Disb	Print Mailing Lables from Prom Note Batch = todays batch	Export Disb

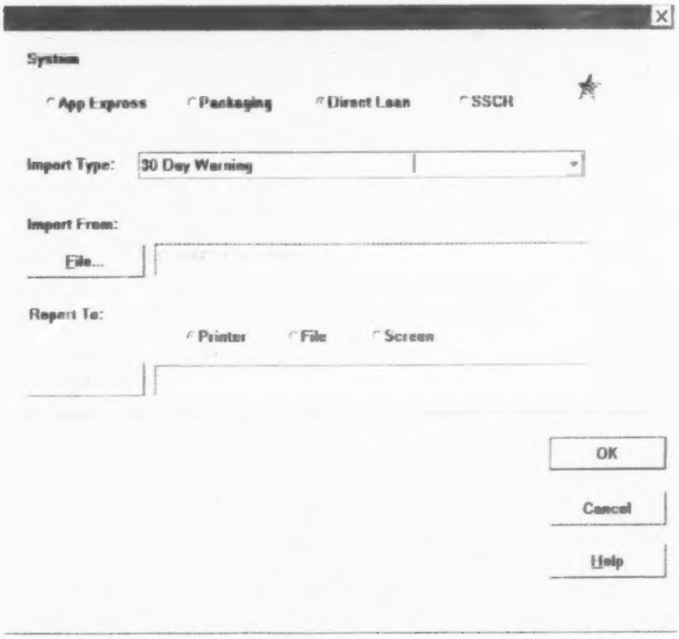
BEST COPY AVAILABLE

Transmission (Data Processing) Log

Keeping an accurate log of you transmissions will always let you know where you are in the processing cycle. It is strongly advised to have one individual (with one or two reliable backups) do all the transmitting of data to the various processing centers. The following Sample of a Direct Loan Data Processing Log will serve you well in managing your data. **See Appendix for a full table for office use.**

EDExpress		**Communications Interface**				**EDExpress**	
Batch ID #	**Export File Name (Message Class) (Date)**	**File Transmitted (Initials)**	**Date**	**Received File Name (Message Class) (Date)**	**Date**	**File Imported (Initials)**	**Date**
DG1234567895001	DESF96IN.001 9/1/96	ADB	9/2/96	DISF9601.DAT 9/5/96	9/6/96	ADB	9/6/96

THE 30-DAY WARNING REPORT



System

○ App Express ○ Packaging ● Direct Loan ○ SSCR

Import Type: 30 Day Warning

Import From:

Report To: ● Printer ○ File ○ Screen

The Loan Origination Center generates a report listing loan IDs for which the LOC is missing components required to book the loan that are outstanding for more than 30 days. When importing into EDExpress, use the instructions on the next page.

a. Select **File, Import** from the menu.

b Choose the **Direct Loan** option button.

c. Click the arrow next to Import Type and select **30-Day Warning**.

d. Click on **File.**

e. Click on the message class (**DIWR** in this case) you wish to import.

f. Click **OK**.

Direct Loans BULLETIN

October 1997

DLB-97-41

Dear Colleague:

This Direct Loan Bulletin highlights certain processing changes made for Year 4 (1997-98) of the Direct Loan Program.

The greatest enhancement for schools resulting from the Year 4 processing changes is the ability of the LOC to provide schools with timely information as to the booked status of a loan. Schools can now determine whether or not a loan has booked by reviewing the promissory note and disbursement acknowledgments returned by the LOC . Schools will no longer have to wait until the submission of the school's monthly reconciliation file to determine the reconciliation (booked) status of a loan.

For Direct Loan Program Year 4 (1997-98), when a *disbursement record* has been received, accepted by the LOC and ***results in the loan being booked***, the acknowledgment of the disbursement record returned by the LOC will include a *"status flag"* indicating that the record has been reconciled. This status flag is in addition to the disbursement status flag on the disbursement acknowledgment. The current amount of the loan that has been disbursed to the borrower (the cumulative amount to date, including adjustments and cancellations) will also be returned with this acknowledgment. If the disbursement record is accepted and does not book the loan, the acknowledgment will indicate that the disbursement has been accepted, but not reconciled (booked), and will also provide the reason why it did not reconcile (book).

Similarly, when a *promissory note* has been received, accepted by the LOC and ***results in the loan being booked,*** the promissory note acknowledgment will include a *"status flag"* indicating that the record has been reconciled. This status flag is in addition to the promissory note status flag returned on the promissory note acknowledgment. In addition, the current amount of the loan that has been disbursed to the borrower (the cumulative amount to date, including adjustments and cancellations) will also be returned with this acknowledgment. If the promissory note is accepted and does not book the loan, the acknowledgment will indicate that the promissory note has been accepted, but not reconciled (booked).

Once the loan has booked, regardless of whether it was the promissory note or the disbursement that booked the loan, all subsequent **accepted** disbursements (including adjustments and cancellations) will be reconciled. All acknowledgments for subsequent disbursements will include a reconciliation (booked) flag that will indicate that these disbursements have been reconciled. In addition, once the loan has booked, all subsequent disbursement acknowledgments (including adjustments and cancellations) will include the current amount disbursed to the borrower.

After the loan has been booked, since all loan disbursements are considered reconciled (booked) when accepted, these disbursement records should not be included in the monthly reconciliation file submitted by the school. The school's **monthly reconciliation file** should now include only cash detail records (drawdowns and excess cash) and **unbooked disbursement records.**

The following example illustrates the Year 4 processing change:
A school reports an actual disbursement amount of $2,000 for a borrower. The loan origination record and promissory note have already been accepted by the LOC and the school has imported the corresponding acknowledgments.

When the school imports the disbursement acknowledgment, the acknowledgment will indicate that the disbursement has been accepted. In addition, the reconciliation status will indicate that the disbursement has been reconciled (booked) and that the current amount of the loan is $2,000.

After reporting the $2,000 disbursement to the LOC, the school makes an adjustment decreasing the disbursement amount by $1,000. When the adjustment is reported by the school, the acknowledgment will indicate that the adjustment has been reconciled (booked) and the current amount of the loan is now $1,000. Since these records will have already been reconciled, these records should not be included in the reconciliation file submitted by the school.

Year-Specific Cash Balance

Beginning with **Year 4** (the 1997-98 award year), and for all future award years, a school's cash balance will be year-specific. For Year 4, all schools' cash balances will begin at zero and schools will be responsible for maintaining a separate cash balance for Year

Specifically, drawdowns for Year 4 **must be separate from drawdowns for any prior award year.** For Option 1 and Standard Origination schools, the LOC will generate separate Year 4 drawdown requests to the Department of Education. For Option 2 schools, if funds are drawn down on the same day for both Year 4 and a prior year, the school will need to perform two separate drawdown requests. Excess cash for prior years must be returned separately from excess cash for Year 4. (See Direct Loan Bulletin 97-12).

We are committed to providing the best level of service to you. If you need further assistance, please call the Direct Loan Task Force at 202/708-9951. Thank you for your continued support.

Sincerely,

Joe L McCormick

Joe L. McCormick
Chair
Direct Loan Task Force

Direct Loans BULLETIN

William D. Ford Federal Direct Loan Program

June 1996 **DLB-96-8**

Dear Colleague:

By now, I am sure you are aware that there is no cap on the William D. Ford Federal Direct Loan Program (Direct Loans) for the 1996-97 academic year. Due to President Clinton's commitment to Direct Loans and the education community's support for choice in the student loan programs, Direct Loans continues to grow. In the 1996-97 academic year, there will be approximately 1700 schools participating in the Direct Loan Program, constituting 45 percent of total student loan volume for the year. At that time, the Direct Loan Program will serve approximately 2.1 million families with a total loan portfolio of $13 billion.

As a reminder, effective July 1, 1996, the new 30-day reporting requirement for submission of all Direct Loan records will be implemented. As stated in the Federal Register, December 1, 1995, section 685.301, "a school that originates a loan must submit the promissory note, loan origination record, and initial and subsequent disbursement records to the Secretary no later than 30 days following the date of the disbursement." Cancellations and adjustments of loans are considered part of the disbursement records and, therefore, are also required to be reported within 30 days of the date of the adjustment or cancellation.

Schools will be required to comply with this regulation immediately. This new requirement will help ensure program integrity in two ways. First, schools will be able to account for all Direct Loan funds in a timely manner; and second, we will be able to make sure that all loans are booked and that loan servicing is initiated as quickly as possible after the loans are made. This requirement is most important for the integrity of the program and is especially critical for unsubsidized and PLUS loan borrowers, who must begin repayment and be informed of interest accruing on their loans.

If schools are aware that they will have problems complying with the 30-day requirement, we suggest that these institutions call their school relations representative at the Loan Origination Center, their regional Client Account Manager, NCS customer support staff or the Direct Loan Task Force for immediate assistance. For your convenience, we have enclosed a list of important Direct Loan phone numbers with this letter.

If your school does encounter problems, assistance from the Department is available. It is important to let us know about any issues that could affect your ability to meet this requirement because the consequences of non-compliance could be serious.

600 Independence Avenue, SW ■ Washington, D.C. 20202-5354

To date, the Department of Education has an excellent record with cash management and loan detail reconciliation. For the 1994-95 award year, 100 percent of all cash has been accounted for and less than 250 out of the one million loan origination records are not yet reconciled. For the current 1995-96 award year, 77 percent of all records are accounted for and 93 percent of all loan detail information is reconciled.

To better assist schools with Direct Loan processing, training on reconciliation, which is now being referred to as "cash management and data matching," will be offered on a weekly basis at the Regional Training Facilities beginning in October 1996. This training will offer both a beginner and advanced level for individuals working with the Direct Loan Program. These sessions will provide step-by-step procedures on how to best process Direct Loans, report all records and "reconcile" your database. A new cash management and data matching guide will be provided to all attendees. Please attend these sessions since they are designed to be of assistance to you.

Enclosed is a list of "Helpful Hints and Best Practices" that we hope will assist you in better managing Direct Loans, especially in the areas of cash management and data matching reporting requirements.

Thank you for your continued support of the Direct Loan Program.

Sincerely,

Leo L. Kornfeld
Senior Advisor to the Secretary

Enclosures

HELPFUL HINTS AND BEST PRACTICES

GENERAL:

- Use the promissory note review/acceptance guidelines contained in Direct Loan Bulletin DLB-96-6 to help ensure that promissory notes are accepted (and not rejected) by the Loan Origination Center (LOC).

- Be sure to export and transmit all:

  1. Loan Origination Records
  2. Promissory Notes
     Remember to submit both the electronic and paper manifest. Be sure to sign the manifest and submit with all promissory notes to the LOC.
  3. Disbursement Records (including adjustments and cancellations)

  To the extent possible, it is best to process and transmit records in the order of occurrence; loan origination records, promissory notes, disbursement records, cancellations and adjustments.

- Large loan volume schools should be aware that EDExpress may not be the best way to process Direct Loans. Using EDExpress will be slow and cumbersome unless specific steps are taken to maximize system efficiencies. NCS customer service will be able to assist you in determining the best configuration for your school.

- It is important to establish a regular production schedule for all loan processing steps; including, entering loan records, exporting batches and importing acknowledgements.

- Import all pending acknowledgements. This includes all loan origination, promissory note and disbursement acknowledgements. Remember to check for rejects.

- Wait 5 business days past your "as-of-date" (end date) to submit a reconciliation batch. This will allow enough time for all pending items transmitted to the LOC to return from the LOC as acknowledged.

- Always back-up your computer system regularly. Also check your back-up data to make sure the back-up system is working accurately.

CASH DETAIL:

- Be sure to reconcile all cash reported to the LOC (drawdowns and excess cash returns) with your internal accounting records. This activity should be done on a daily or weekly basis.

- When a correction to a reported cash amount is needed, be sure to back out the incorrect entry, using the same date, and then enter the correct date and amount.

- Review excess cash for accuracy:

    1. Be sure to enter correct transaction types. For example, be careful not to enter an excess cash amount as a draw down amount or vice versa.

    2. Be sure to enter the correct positive or negative sign on cash amounts.

    3. Be aware that the LOC records the date it receives excess cash and matches this date with the date the school has reported.

    4. Be careful not to transpose numbers.

    5. It is best not to return excess cash by individual amounts since each separate transaction must be reported to the LOC. Whenever possible, aggregate excess cash into one amount and return by ACH.

- Review cash receipts on your system with the school's internal cash activity. Be sure all dates and amounts match exactly.

LOAN DETAIL:

- When entering disbursement records into the EDE computer system, be sure to enter the correct disbursement date. The only way to change a disbursement date is to cancel the entire transaction and re-enter all information.

- Be sure to follow-up on all rejected records.

- Review the 30-day warning report and submit necessary records to book loans.

- Always use the "as-of-date" (end date) for the current period even if you are reconciling items from a previous period.

- Prior to sending in a reconciliation batch, make sure that all acknowledgements have been retrieved (imported) into your system.

- Keep track of the names of the files that are included in each batch of loan origination records and disbursements. This will help if there is ever a need to re-create a batch.

- Correct and re-transmit all rejected loan origination records, promissory notes and disbursement records as quickly as possible to avoid delays in processing loans.

- Check your batch activity database for any unconfirmed batches. Import any missing acknowledgements.

- If using EDExpress, remember to run the Measurement Tools Reports to determine unreconciled loan detail items.

William D. Ford Direct Loan Program
IMPORTANT NUMBERS TO REMEMBER:

Student Financial Aid Programs Customer Service....................1-800-433-7327
FAX...202-260-4199
Bulletin Board....................1-800-429-9933
Internet Address.........csb@sfa.ope.ed.gov

- General inquiries from institution

Federal Student Aid Information Center.................................1-800-4-FED-AID

- Student inquiries
- Working hours are from 8:00 am to 8:00 pm (EST)

Department of Education Direct Loan Task Force.........................202-708-9951
FAX..202-401-3424

- Program Development and Coordination
- Working hours are from 8:00 am to 5:00 pm (EST)

Department of Education Direct Loan Policy.................................202-708-9406

CPS and Direct Loan Customer Service..1-800-330-5947
FAX..319-339-6996

- All EDExpress software modules
- Technical advice and EDExpress systems support
- Working hours are from 7:00 am to 7:00 pm (CST)

Title IV WAN Customer Service[1]..1-800-615-1189
FAX.......................................319-339-6983

- Enrollment forms for Title IV WAN
- Distribution of Title IV WAN software
- Network problems
- Re-sending application batches
- Password problems
- Transmission errors

Direct Loan Custom/Combo Technical Reference Support.......1-800-756-4220

- Mainframe technical issues and systems support

---

[1] Schools should identify themselves as Direct Loan Schools.

IMPORTANT NUMBERS TO REMEMBER Cont'd:

National Computer Systems (NCS) User Services	**1-800-553-2159**

- Systems support for Title IV WAN software
- Support for Monthly Electronic Expenditure Reporting System (MEERS)

Loan Origination Center - School Relations	**1-800-848-0978**
FAX	**1-800-848-0984**
TDD	**1-800-848-0983**

- Loan origination and disbursements
- Acknowledgments
- Promissory notes processing
- School testing
- Reconciliation issues
- Standard origination processing
- Bulk forms/publication ordering
- Working hours are from 8:00 am to 4:00 pm (EST)

Direct Loan Servicing Center - Borrower Services	**1-800-848-0979**
Delinquent Accounts/Collections	**1-800-848-0981**
Direct Loan Consolidation	**1-800-848-0982**
FAX	**1-800-848-0984**
TDD	**1-800-848-0983**

- Booked loans
- Payments made and loan balance information
- Deferments
- Repayment options
- Disability
- Working hours are from 8:00 am to 8:30 pm (EST)

National Student Loan Data System (NSLDS)	**1-800-999-8219**

- Student Status Confirmation Reports (SSCR)
- Borrower tracking
- Financial Aid Transcripts
- NSLDS User ID and password
- Working hours are from 6:00 am to 6:00 pm (CST)

DIRECT LOAN REGIONAL CLIENT ACCOUNT MANAGERS

REGION I (MA, ME, NH, VT, RI, CT)
Regional Director for Direct Loans--David Sola
Address: J. W. McCormack P.O.C.H., Room 532, Boston, MA 02109
Phone: 617-223-4963 Fax: 617-223-4968

REGION II (NY, NJ, PR, VI)
Regional Director for Direct Loans--Barbara Heisler Williams
Address: 75 Park Place, 12th Floor, New York, NY 10007
Phone: 212-264-8012 Fax: 212-264-1666

REGION III (PA, MD, VA, WV, DE, DC)
Regional Director for Direct Loans--Gary Smith
Address: 3535 Market St., Room 2304, Philadelphia, PA 19104
Phone: 215-596-1716 Fax: 215-596-1726

REGION IV (GA, FL, AL, MS, TN, KY, SC, NC)
Regional Director for Direct Loans--Connie Kaschub
Address: 101 Marietta Tower, Room 909, Atlanta, GA 30323
Phone: 404-730-2012 Fax: 404-730-2078

REGION V (IL, WI, MI, IN, OH)
Regional Director for Direct Loans--Kathy Rehorst
Address: 111 N. Canal Street, Suite 830, Chicago, IL 60606
Phone: 312-886-8766 Fax: 312-886-6737

REGION VI (TX, OK, LA, AR, NM)
Regional Director for Direct Loans--Don Kerr
Address: 1200 Main Tower, Room 2150, Dallas, TX 75202
Phone: 214-767-9607 Fax: 214-767-9604

REGION VII (KS, MO, NE, IA)
Regional Director for Direct Loans--Mark Walsh
Address: 7505 Tiffany Springs Parkway, Suite 500, Kansas City, MO 64153-1367
Phone: 816-880-4090 Fax: 816-891-8713

REGION VIII (CO, WY, MT, UT, SD, ND, MN)
Regional Director for Direct Loans--Mike Clark
Address: 1801 California St., Suite 930, Denver, CO 80202-2610
Phone: 303-294-1393 Fax: 303-294-1399

REGION IX (CA, AZ, HI, NV)
Regional Director for Direct Loans--Jim Castress
Address: 50 United Nations Plaza, Room 121, San Francisco, CA 94102-4987
Phone: 415-437-8843 Fax: 415-437-8852

REGION X (WA, OR, ID, AK)
Regional Director for Direct Loans--Barry Shine
Address: 915 Second Ave., Room 3164, Seattle, WA 98174-1099
Phone: 206-220-4400 Fax: 206-220-4407

Telephone numbers and information provided are subject to change.

Direct Loans
William D. Ford Federal Direct Loan Program

BULLETIN

September 1997

DLB-97-35

Summary: Extension of the Year 2 (1995-96) processing deadline for the submission of Direct Loan Program electronic records and promissory notes.

Dear Colleague:

We'd like to thank you for your cooperation during the transition to our new Loan Origination Center (LOC) and for your continued support of the Direct Loan Program. We want to assure you that we are committed to providing schools and students with the best possible services. We are also committed to ensuring the highest level of accountability and program integrity. This bulletin provides updated guidance regarding the deadline for submitting electronic records and promissory notes for the **1995-96 academic year (Year 2)**, which will assist you and the Department of Education in providing timely services to borrowers and will promote the accuracy of information contained in our borrower files.

On May 5, 1997, we extended the **Year 2** processing deadline for the submission of all electronic loan records and promissory notes to the LOC from July 31, 1997, to October 31, 1997 (see Direct Loan Transition Update #21). Subsequently, we determined that since most schools have converted their Direct Loan cash databases to a combined database for Years 2 and 3 (1996-97 academic year), the most expeditious process for closing Year 2 would be to close at the same time as Year 3. **Therefore, we are extending the processing deadline for Year 2 to July 31, 1998, which is the same deadline as for Year 3. However, we urge you to submit all loan origination records, promissory notes and loan detail records for Year 2 and Year 3 as quickly as possible.**

It is imperative that we receive all Year 2 origination records by September 30, which is the end of the federal fiscal year. Loan origination records provide the Department with critical information used for budgeting purposes. Further, in previous guidance, we have requested that schools submit all records and promissory notes on a monthly basis. Services to students and parents are greatly enhanced when records and promissory notes are submitted on at least a monthly basis.

Shortly, we will be publishing a notice in the Federal Register announcing the extension of the Year 2 processing deadline and establishing the deadline for Year 3 as July 31, 1998. You will be sent a copy of the new notice when it is published.

Attached is an outline of items that you can review to ensure that your records are being submitted properly. We hope you will find this information helpful. Please remember, if you have any questions, call your Customer Service Representative at (800) 848-0978. Once again, thank you for your cooperation and your continued support of the Direct Loan Program.

Sincerely,

Joe F. McCormick

Joe L. McCormick, Chair
Direct Loan Task Force

Linda L. Paulsen, Service Director
Accounting & Financial Management Service

SUBMITTING DIRECT LOAN RECORDS

The steps listed below are intended to assist your institution as it closes out the award year and do not necessarily contain **all** of the checks and balances each school should use to make sure all loan information is correct and has been transmitted to the Loan Origination Center. In addition, we recommend that you **not** archive your data until you have made sure all transactions have been processed and completed. A school needs to be able to retrieve any data archived in accordance with record retention requirements.

I. Identify any batches without acknowledgments.

   a) Import all outstanding acknowledgments.
   b) Analyze and correct all rejected records **immediately**.

II. Import, print and review the 30-Day Warning Report.

   A. **Cancel any unnecessary loans and transmit change records.**
   B. Transmit any missing loan origination records, promissory notes, or disbursement records (including adjustments and cancellations) to the Loan Origination Center.

III. If you are using EDExpress, print a Pending Disbursement List. If you are using another system, print a report that will identify any Anticipated Disbursements that do not have an associated actual disbursement or cancellation for each disbursement number. This report should include all disbursements for the entire academic year.

   A. Transmit any missing disbursement records to the Loan Origination Center.
   B. **Cancel any anticipated disbursements for loans not made.**

IV. Print a cash management report that includes all excess cash, cash receipts, disbursements, adjustments and cancellations. Use this list to reconcile with internal records or use other procedures to make sure all electronic records match internal records.

   A. Check cash receipts against bank statements and ledgers.
   B. Check returns of excess cash with bank statements, ledgers, and/or canceled checks.
   C. Check disbursements, adjustments and cancellations against ledgers or reports.
   D. Check all cash totals against internal accounting records.
   E. Correct any errors.
   F. Make sure all cash records have reconciliation status = A.

V. If you are using EDExpress, print a Reconciliation Measurement Tools report. If you are using another system, print a report that would determine records ready for reconciliation but that do not have status flags equal to "A." Determine the reason for any records that do not have status flags equal to "A" and take any actions necessary to correct these records. **Remember, only booked loans will reconcile.**

VI. Transmit a reconciliation file that includes all records for the entire academic year. Use the most recent reconciliation period for the "as of" date. Analyze and correct all unreconciled records.

☆ U.S. GOVERNMENT PRINTING OFFICE: 1997 417-454/40661

Direct Loans
William D. Ford Federal Direct Loan Program

BULLETIN

August 1997 **DLB-97-30**

SUBJECT: Differentiating Year 3 and Year 4 Drawdowns and Returns of Excess Cash

Dear Colleague:

All Direct Loan drawdowns you receive from EDPMS subsequent to June 30, 1997, are recorded at the Loan Origination Center (LOC) as cash receipts for the 1997-98 program year (Year 4). Drawdowns you received from EDPMS prior to July 1, 1997, were recorded at the LOC as cash receipts for the 1996-97 program year (Year 3). If you received a drawdown intended for Year 4 prior to July 1, 1997, the LOC will need to be informed so that the cash receipt can be switched to Year 4 in their reconciliation system. Likewise, the LOC must be notified of any Year 3 drawdowns you received after July 1, 1997, so they can switch the cash receipt to Year 3.

The notification to the LOC to move cash receipts from one program year to another should be done via fax. A form is attached to this bulletin to assist you in submitting to the LOC the information needed to make sure that cash receipts are posted to the correct program year. If you choose not to use the attached form, it is important that the exact information requested on the form is included in the correspondence sent to the LOC. This form or other correspondence should be faxed to the LOC, to the attention of the Reconciliation Department, at 1-800-557-7396.

As a reminder, drawdowns should be year specific. If drawing down for both Years 3 and 4, two separate drawdown requests need to be made. This is necessary in order to facilitate the computation of the proper cash balances by program years.

Funds returned as excess cash will also need to be identified to a specific program year. Attached is a form that should be faxed to the LOC, to the attention of the Reconciliation Department, at 1-800-557-7396, for posting of returns of excess cash to the correct program year. Again, use of this form is optional, but any correspondence faxed to the LOC will need to contain the same information as requested on the form.

Thank you for your continued support of the Direct Loan Program.

Sincerely,
Joe L. McCormick
Joe L. McCormick
Chair
Direct Loan Task Force

Attachments (2)

EXCESS CASH PROGRAM YEAR STATEMENT

School Name ____________________

School G-code ____________________

Date Mailed	Check Number	Amount Sent	Program Year

FAX TO: Loan Origination Center
Attention: Reconciliation Department
FAX #: 1-800-557-7396

☆ U.S. GOVERNMENT PRINTING OFFICE: 1997 417-454/40647

Direct Loans BULLETIN

William D. Ford Federal Direct Loan Program

April 1996 **DLB-96-6**

Summary: Promissory note review/acceptance guidelines

Dear Colleague:

Enclosed are 1996-97 promissory note review/acceptance guidelines. These guidelines will assist you in reviewing the critical fields of borrower promissory notes before you forward them to the Direct Loan Origination Center (LOC) for acceptance.

If a promissory note(s) is "rejected," the promissory note information panel in the software is updated, and the note is returned to the school with a paper manifest. If the note is "incomplete" (missing information as outlined in the enclosed Acceptance Guidelines), the promissory note is unacknowledged and the software is not updated. The note is returned to the school with a cover letter explaining what needs to be done for the note to be accepted.

As a reminder, all promissory notes should be sent to the Direct Loan Origination Center in Utica. Any notes inadvertently sent to Montgomery, Alabama, the address on current promissory notes, will be forwarded to Utica. The Utica address is:

School Relations
Direct Loan Origination Center
P.O. Box 7201
Utica, NY 13504-7201

or, for non-U.S. Postal Service direct deliveries:

School Relations
Direct Loan Origination Center
501 Bleeker Street
Utica, NY 13501-2401

600 Independence Avenue, SW ■ Washington, D.C. 20202-5354

If you have additional questions about promissory notes you are forwarding, please contact your School Relations representative at 1-800-848-0978.

Sincerely,

Diane Voigt

Diane Voigt, Chair
Direct Loan Task Force

Enclosure

1996-97 Federal Direct Stafford Loan and Federal Direct Unsubsidized Stafford Loa
Promissory Note Review/Acceptance Guidelines

SECTION A: TO BE COMPLETED BY BORROWER

Field	Item	Valid Values	Alteration	Incomplete	Reject
1	Name (last, first, middle initial)	Must have first or last name. Middle initial is optional.	Yes, with initials	Yes, if blank	No
	Permanent Home Address (street, city, state, zip)	Must have city, state and zip. If foreign country, zip must be blank.	Yes	Yes, if city, state and zip are blank	No
2	Social Security Number	Borrower's Social Security Number	Yes, with borrower's initials	Yes, if blank or partial number is listed	No
3	Date of Birth	Borrower's date of birth in month, day, year order	Yes	Yes, if blank	No
4	Permanent Home Telephone (with area code)	Ten-digit telephone number	Yes	No	No
5	Driver's License State and Number	May be left blank. If either license number or state is present, both must be on the P-Note.	Yes	No	No
6	References	Two references are required	Yes	No	No
12	Signature of Borrower and Date	Signature should match the name in item #1, with the following exceptions: Middle initial may be omitted in the signature and an obvious derivative of the first or middle name may be used (i.e. William/Bill, Richard/Dick);	No alteration is permitted on the borrower's signature; however date may be altered or blank	Yes, If blank	Yes, if altered and/or the signature is not in blue or black ink

SECTION A: TO BE COMPLETED BY BORROWER

Field	Item	Valid Values	Alteration	Incomplete	Reject
12 (cont.)		"X" Signatures/Disabled Borrowers may show their symbol, including an "X " for a signature. However, we request that the school official provide a statement on school letterhead, indicating that the symbol is the signature of the borrower Borrower's signature must be in black or blue ink.			

SECTION B: TO BE COMPLETED BY SCHOOL

Field	Item	Valid Values	Alteration	Incomplete	Reject
7	School Name	Name must be present	Yes, with school official's initial	Yes, if blank	No
8	Loan Period Approved	Must have start and end dates for the loan period	Yes	Yes, if blank	No
9	School Address (street, city, state, zip)	Must have city, state and zip	Yes, with school official's initials	Yes, if blank	No
10	School Code/Branch	Code must be present	Yes	Yes, if blank	No
chart	Disbursement Chart	Loan fee must be 4% (for 1996-97) and Interest Rate must be variable	Yes, with borrower's and school official's initials. The borrower must only initial approved, not disbursement information. If amounts are altered, verify that the sum of Anticipated Disbursements equals the Approved amount	Yes, if blank or altered without initials	Yes, if Loan Fee and/or Interest Rate are incorrect Standard Origination (formerly Level 3) - If value of loan amount is altered and is greater than original approved amount)
11	Loan Identification Number(s)	Must be valid 23-character number field	Yes, with school official's initials (only the last two digits may be modified)	Yes if blank, incomplete 23 digits, or altered without initials	No

1996-97 Federal Direct PLUS Loan Promissory Note Review/Acceptance Guidelines

SECTION A: TO BE COMPLETED BY BORROWER

Field	Item	Valid Values	Alteration	Incomplete	Reject
1	Name (last, first, middle initial)	Must have first or last name Middle initial is optional	Yes, with initials	Yes, if blank	No
	Permanent Home Address (street, city, state, zip)	Must have city, state and zip If foreign country, zip must be blank	Yes	Yes, if city, state and zip are blank	No
2	Social Security Number	Borrower's Social Security Number	Yes, with borrower's initials	Yes, if blank or partial number is listed	No
3	Date of Birth	Borrower's date of birth in month, day, year order	Yes	Yes, if blank	No
4	Permanent Home Telephone (with area code)	Ten-digit telephone number	Yes	No	No
5	Driver's License State and Number	May be left blank. If either license number or state is present, both must be on the P-Note	Yes	No	No
6	U.S. Citizenship Status	Accept values 1 (Citizen) and 2 (Permanent Resident). If Permanent Resident, then Alien Registration Number must be present on the P-Note	Yes, with initials	Yes, if blank or if #2 (Permanent Resident) is selected. Alien Registration Number must be present.	If value 3 (*Neither 1 or 2) is selected
7	Loan Amount Requested	Borrower specified loan amount desired	Yes, with borrower's initials. Changing be Loan Amount Requested from blank to zero to an amount is not considered an alteration.	Yes, if blank, zero or modified without initials	No
8	Loan Period Requested	Must have start and end dates for the loan period	Yes, with borrower's initials	Yes, if left blank or modified without initials	No
9	References	Two references are required	Yes	No	No
10	Employer Name	Borrower's employer, unemployed or retired	Yes	No	No
11	How many years with this employer?	Number of years on the job or "N/A" if unemployed or retired	Yes	No	No

SECTION A: TO BE COMPLETED BY BORROWER

Field	Item	Valid Values	Alteration	Incomplete	Reject
12	Employer's Address	Must have city, state and zip	Yes	Yes	No
13	Employer's Telephone Number	Ten-digit telephone number	Yes	No	No
14	Default (yes or no)	Indicate "yes" for in default and " no" for not in default. The school may override a "yes" value if the borrower provides evidence that indicates satisfactory repayment requirements are being met.	Yes, with borrower's and school official's initials	Yes, if blank or altered without initials	Yes, if "yes" is indicated for this item

SECTION B: TO BE COMPLETED BY STUDENT

Field	Item	Valid Values	Alteration	Incomplete	Reject
15	Name (last, first, middle initial)	Must have first or last name. Middle initial is optional.	Yes with initials	Yes, if blank	No
16	Date of Birth	Student's date of birth in month, day, year order	Yes	No	No
17	Social Security Number	Student's Social Security Number	Yes	Yes, if blank	No
18	U.S. Citizenship Status	Accept values 1 (Citizen) and 2 (Permanent Resident). If Permanent Resident, then Alien Registration Number must be present on the P-Note.	Yes, with borrower's initials	Yes, if blank or if #2 (permanent Resident) is selected, Alien Registration Number must be present.	If value # (Neither 1 or 2) is selected
19	Default (yes or no)	Indicate "yes" for in default and "no for not in default. The school may override a "yes" value if the borrower provides evidence that indicates satisfactory repayment requirements are being met.	Yes, with student's and school official's initials	Yes, if left blank or altered without initials	Yes, if "yes" is indicated for this item
20	Signature of Student	Signature should match the name item #1 with the following exceptions: Middle initial may be omitted in the signature and an obvious derivative of the first or middle name may be used (i.e. William/Bill, Richard/Dick)	No alteration is permitted on the student's signature.	Yes, if signature if blank	Yes, if signature is altered and or the signature is not in blue or black ink.

SECTION B: TO BE COMPLETED BY STUDENT

Field	Item	Valid Values	Alteration	Incomplete	Reject
20 (cont.)		"X" Signatures/Disabled Borrowers may show their symbol, including an "X " for a signature. However, we request that the school official provide a statement on school letterhead, indicating that the symbol is the signature of the borrower Borrower's signature must be in black or blue ink.			
21	Date	Date should be included with signature; however it may be left blank on the P-Note	Yes	No	No

SECTION C: TO BE COMPLETED BY SCHOOL

Field	Item	Valid Values	Alteration	Incomplete	Reject
22	School Name	Name must be present	Yes, with school official's initials	Yes, if blank	No
23	School Code/Branch	Code must be present	Yes	Yes, if blank	No
24	School Address (street, city, state, zip)	Must have city, state and zip	Yes, with school official's initials	Yes, if blank or modified without initials	No
25	Loan Period Approved	Must have start and end dates for the loan period	Yes, with school official's initials	Yes if left blank or modified without initials	No
26	Certified Loan Amount	Specify that actual loan amount from which disbursements will be made.	Yes with school official's initials	Yes, if blank or altered without initials	No
27	Recommended Disbursement Date(s)	Must indicate at least two disbursements that fall within the loan period (including late disbursement deadlines)	Yes, with school official's initials	Yes, if blank, fewer than two disbursements, or modified without initials	No
28	Loan Identification Number	Must be valid 21-character numeric field	Yes, with school official's initials (only the last two digits may be modified)	Yes, if blank or altered without initials	No

SECTION C: TO BE COMPLETED BY SCHOOL

Field	Item	Valid Values	Alteration	Incomplete	Reject
29	Signature of Borrower & Date	Signature should match the name I item #1, with the following exceptions: Middle initial may be omitted in the signature and an obvious derivative of the first or middle name may be used (i.e. William/Bill, Richard/Dick) "X" Signatures/Disabled Borrowers may show their symbol, including an "X " for a signature. However, we request that the school official provide a statement on school letterhead, indicating that the symbol is the signature of the borrower Borrower's signature must be in black or blue ink.	No alteration is permitted on the borrower's signature; however date may be altered or blank	Yes, if signature is blank	Yes, if signature is altered or does not match name in item #1 and/or the signature is not in blue or black ink.

Direct Loans BULLETIN

William D. Ford Federal Direct Loan Program

July 1997 **DLB-97-19**

SUMMARY: Information on Loan Origination Center (LOC) Processing Procedures

Dear Colleague:

During the past few months, various questions have been raised by schools concerning some of the processing differences since changing to the new Loan Origination contractor on March 3, 1997. While some of these processes have been addressed in various transition updates, this letter will summarize those procedures that comprise the major issues schools are continuing to encounter. This letter also provides you with the resolutions that either have been put in place or are under development:

1) The current Loan Origination Contractor (LOC) will only accept a loan cancellation change record (#E batch) on a loan if all actual disbursements have been canceled. If any actual disbursements have not been canceled, then the loan will not be canceled and a reject acknowledgment will be sent back to the school with a reject error code of "80" (loan cancellation record received without all corresponding actual disbursement cancellations). ***The only way a school can cancel a loan that has actual disbursements recorded is to cancel the actual disbursements and then cancel the loan.***

These procedures have created problems for schools who use EDExpress when trying to cancel a loan when the change record (#E) is received at the LOC prior to the disbursement cancellation record. EDExpress automatically creates both a change record and a cancellation disbursement when the loan is canceled. These records are batched separately, and should be, but are not always, transmitted at the same time. If the change record is transmitted prior to the LOC receiving the disbursement record, the change record rejects and the loan will not be canceled. If a loan cancellation has been rejected as a result of this current LOC process, the school should call their Customer Service Representative (CSR) for a work around which will allow the change record to be accepted.

These procedures have been put in place at the current LOC because, as information is sent from the LOC to the Direct Loan Servicer(s), the Direct Loan Servicer(s) will reject any loan cancellation for a loan on which disbursements have been made but not yet canceled. These procedures at the LOC will ensure that the Direct Loan Servicer(s) receives accurate information in the appropriate order from the LOC. A message has been sent out by the CPS Customer Service advising schools on the proper procedures to follow to avoid having loan cancellation change records reject. The EDExpress software for 98-99 processing will be changed to prevent the creation of a loan cancellation change record when there are uncanceled actual disbursements.

Until that version is available to schools, schools using EDExpress to cancel loans on which there are actual disbursements, need to: ***1) export (batch), 2) transmit, and 3) receive back and import the acknowledgments for the canceled actual disbursement records prior to exporting and sending the change cancellation records for those loans.***

2) Schools have had disbursement records reject when a new disbursement record is transmitted which has a disbursement date prior to a disbursement date on the record which was previously canceled. This could occur when a disbursement is recorded with the wrong disbursement date, is then canceled, and a new disbursement is recorded with a corrected date that may be an earlier date than the incorrect date on the canceled disbursement. For the processing of disbursements, the LOC has edits in place to make sure that disbursements are sent in transaction and date order. However, the original edits did not recognize the cancellation status when editing against date order and disbursements were being rejected when there was a canceled disbursement with a later date then the new disbursement. These edits in the LOC are being modified. Disbursements that were originally rejected for being out of date order due to a previously canceled disbursement can be resent to the LOC and will be accepted. Until these modifications are in place, if you are having disbursements reject for being out of date order, call your CSR for assistance.

3) For those schools who serve as a central drawdown point and then allocate funds among multiple campuses, cash receipt records recorded by these campuses are, in some instances, being returned in reconciliation acknowledgments as unreconciled. This will occur when the LOC receives the school's Drawdown Reconciliation/Allocation Statement (#K batch) before it receives a record of the drawdown from EDPMS. Drawdown information from EDPMS is downloaded to the LOS on a daily basis, based on the date we anticipate the funds will be in the school's bank account. If a #K batch is received at the LOC before the drawdown information has been loaded at the LOC, then the #K batch will reject. Because no acknowledgment is returned to schools for a #K batch, schools have not been aware that the drawdown allocation sent to the LOC has rejected until receiving a reconciliation acknowledgment which shows unreconciled cash receipts. Beginning with the 97-98 processing year, a Reconciliation Allocation/Reallocation Statement Acknowledgment (DIRS message class) will be returned to schools which will alert the school that the #K batch was received before the EDPMS record for that drawdown was loaded into the LOS. In order to avoid any reconciliation problems or DIRS rejects, schools should wait at least 5 days after requesting a drawdown before exporting a #K batch.

4) Previously, procedures were in place to allow for promissory notes and endorser addenda from a canceled loan to be merged with a new loan record. These procedures were established in order to allow schools that either canceled a loan in error or canceled a loan to correct an error, to originate a new loan without having to obtain a new promissory note from a borrower.

Although the ability to merge promissory notes and endorser addenda was not initially part of the functionality of the new Loan Origination Center, this functionality is under development and should be in effect by the end of July. We will notify schools when this occurs and until that time, we appreciate your patience in this matter.

5) Reconciliation processing is now current. As discussed in earlier transition updates, the processing of reconciliation files at the LOC now may involve a delay of up to five days in order to allow the LOC Reconciliation Accountants additional time to research rejects that may have resulted from the transition to the new LOC. If the necessary research can not be completed within five days, the acknowledgment is then returned with an "R9" code on those records. Schools were instructed that no research on their part would be needed and that these records should be returned to the LOC with the school's next reconciliation file. The R9 code and five-day delay were put in place as part of the transition processing in an effort to reduce the burden on schools for researching rejects that were caused by the transition between the system of the former LOC and the new LOC. If a file contains no R9 records, it will be acknowledged within the required 1-2 days. If the file is not returned within that time frame, the school should understand that the manual research process is taking place which requires this additional time. ***Schools who have yet to submit a reconciliation file since the change of the new LOC on March 3 should submit a file as soon as possible.***

6) Schools have reported reconciliation acknowledgments in which cash receipts are reflected as unreconciled due to no corresponding drawdown data at the LOC. While drawdown data is sent to the LOC from EDPMS on a daily basis, we have found that for the period 2/15- 3/30, this data was not loaded at the LOC. Therefore, cash receipts from that period sent in reconciliation files to the LOC were returned as unreconciled. Drawdown data from 2/15-3/30 has since been loaded at the LOC. Drawdown data from April to the present is also being compared to EDPMS records to ensure that complete drawdown data is at the LOC.

As a reminder, drawdowns for Year 4 must be separated from drawdowns for any prior award year. The Loan Origination Center will generate separate Year 4 drawdown requests to the Department of Education's Payment Management System (EDPMS) for Option 1 and Standard Origination schools. If you are an Option 2 school, and you draw down on the same day for both Year 4 and a prior year, please be sure to perform two separate drawdown requests.

Thank you for supporting the Direct Loan Program.

Sincerely,

Joe L. McCormick

Joe L. McCormick, Chair
Direct Loan Task Force

Direct Loans
William D. Ford Federal Direct Loan Program

BULLETIN

April 1997 **DLB-97-12**

SUMMARY: Operational change in how Year 4 (1997-98) drawdowns should be performed.

Dear Colleague:

Beginning with Year 4, the 1997-98 award year, and for all future award years, your institution's Direct Loan cash balance will be year specific. For Years 2 and 3 (1995-96 and 1996-97), you will continue to maintain a combined cash balance; however, for Year 4, you will begin a separate cash balance.

Specifically, drawdowns for Year 4 must be separate from drawdowns for any prior award year. The Loan Origination Center will generate separate Year 4 drawdown requests to the Department of Education's Payment Management System (EDPMS) for Option 1 and Standard Origination schools. If you are an Option 2 school, and you draw down on the same day for both Year 4 and a prior year, please be sure to perform two separate drawdown requests.

Please note that schools will submit reconciliation files and return excess cash in the same format. Schools will submit one reconciliation file for previous years and one reconciliation file for Year 4. Excess cash for prior years must be returned separately from excess cash for Year 4.

Sincerely,

Margaret

for Joe L. McCormick, Chair
Direct Loan Task Force

600 Independence Avenue, SW ■ Washington, D.C. 20202-5162

☆ U.S. GOVERNMENT PRINTING OFFICE: 1997 417-454/40580

Direct Loans BULLETIN

William D. Ford Federal Direct Loan Program

September 1997 **DLB-97-33**

SUBJECT: ABA and Bank Account Numbers for Returning Direct Loan Excess Cash

Dear Colleague:

In DLB 97-5 and DLB 97-17, we provided an excess cash/payment transmittal form to use when returning paper checks to the Department of Education. The form also presented the ABA and bank account numbers to be used when returning excess cash via ACH or Fedwire. Those numbers were incomplete. The attached revised form shows the correct ABA and bank account numbers.

Sincerely,

Joe L. McCormick

Joe L. McCormick
Chair
Direct Loan Task Force

Enclosure

600 Independence Avenue, SW ▪ Washington, D.C. 20202-5162

September 1997

DIRECT LOANS
SUGGESTED EXCESS CASH/PAYMENT TRANSMITTAL
(See instructions on back.)

School Name: ____________________ Direct Loan School Code: (G or E) _ _ _ _ _ _

Date Check Sent to Servicer: ____________ Check # ___________ Amount $ ________

If returning excess cash, please check (√) Column I.

OR

If applying funds to a borrower(s) accounts(s), please check (√) Column II.

Column I

___ **EXCESS CASH** *

Mail check to the following address if returning excess cash:

Direct Loan Origination Center
ATTN: EXCESS CASH
P.O. Box 2011
Montgomery, AL 36102-2011

* If the amount of money being returned is $100,000 or more, the funds must be returned by FEDWIRE to:
Compass Bank Account No. 707726726
ABA No. 0620 01186

Column II

___ **PAYMENT to Borrower(s) Account(s)**

Mail check to the following address if sending a payment:

Direct Loan Servicing Center
ATTN: PAYMENT CENTER
P.O. Box 746000
Atlanta, GA 30374-6000

- If the funds being returned are to be applied to an individual borrower's account, please provide the following information:

  Borrower Name: ____________________

  Loan ID#: ________________________

- If funds are being applied to multiple borrowers or loans (i.e., subsidized and unsubsidized), attach a listing indicating the borrower's name, loan ID, and amount.

School Official Name:______________________________________

School Official Signature:_______________________ Phone Number:(   )__________

INSTRUCTIONS

The following information will assist you in returning Direct Loan funds to the Department:

NOTE: This Transmittal should be used only by schools returning funds by paper check and should not be used by schools returning funds by ACH or FEDWIRE.

- When the institution has drawn down too much money, resulting in **excess cash,** the school must return these funds as **excess cash.** [Use Column I on the **left** side of the Transmittal.]

- **Within 120 days** from the date of disbursement, for loan funds being returned due to an adjustment or cancellation to a borrower's account, the school needs to:

  [Note: When a school calculates a *refund* within 120 days from the date of disbursement, the refund must be reported either as an adjustment or a cancellation and funds should be returned as excess cash.]

1. make an **electronic** adjustment/cancellation to the borrower's disbursement record

AND

2. A. return these funds as **excess cash** [Use Column I on the **left** side of the Transmittal.]

   OR

   B. **if the school's loan origination level is Option 2,** the school can use these funds (the amount that would otherwise be returned) for another borrower in accordance with the appropriate cash management regulations (34 CFR 668.166)

REMINDER: A school cannot adjust or cancel a loan if the effective cancellation or adjustment date is **after 120 days from the date of disbursement.**

- **After 120 days** from the date of disbursement, for loan funds being returned to "prepay" a borrower's balance (refund to the borrower's loan account), the school needs to:

  1. return funds as **payment** to borrower's account (refund the amount to the borrower's account) [Use Column II on the **right** side of the Transmittal.]

  2. **do not make any electronic adjustments/cancellations to the borrower's account**

  Remember: this amount is **not** excess cash.

IF YOU HAVE ANY QUESTIONS. PLEASE CALL A CUSTOMER SERVICE REPRESENTATIVE AT THE LOAN ORIGINATION CENTER: 1-800-848-0978

Direct Loans BULLETIN

William D. Ford Federal Direct Loan Program

October 1997 **DLB-97-40**

SUBJECT: Disbursement Regulations -- REMINDER

Dear Colleague:

For disbursements made on or after July 1, 1997, a Direct Loan disbursement occurs when a school credits a student's account at the school or pays a borrower directly with Direct Loan funds or institutional funds (used in advance of the school receiving actual Direct Loan funds).

However:

- If the school disburses institutional funds ten or more days prior to the first day of classes, the date of disbursement is the date of the 10th day before the first day of classes.
- If the school disburses institutional funds to a first-time, first-year, undergraduate borrower sooner than thirty days after the start of classes, the date of disbursement is the date of the 30th day after the first day of classes.

We are committed to providing the best level of service to you. Thank you for your ongoing support of the Direct Loan Program.

Sincerely,

Joe L. McCormick

Joe L. McCormick
Chair
Direct Loan Task Force

Direct Loans BULLETIN
William D. Ford Federal Direct Loan Program

March 1997 DLB-97-11

LOAN ORIGINATION TRANSITION INFORMATION

Dear Colleague:

During the recent Direct Loan Origination Center (LOC) transition, many Option 2 schools drew down Direct Loan funds to be disbursed upon receipt of promissory note acknowledgments from the new LOC in Montgomery. The first PUT to schools from the new LOC was transmitted on March 10, 1997, instead of March 4, 1997, as originally planned.

Although a signed promissory note must be received by your institution prior to the disbursement of any Direct Loan funds to borrowers, the Department does not require a school to receive promissory note acknowledgments prior to disbursing Direct Loan funds. For promissory note review/acceptance guidelines, please refer to Direct Loan Bulletin DLB-96-6. If a promissory note is not received or is rejected by the LOC, schools are still responsible for making sure an acceptable promissory note exists for all loans and any follow-up necessary for rejected promissory notes still rests with the institution.

Many schools, in order to avoid the need for follow-up to borrowers as discussed above, or to protect themselves from potential liability, have developed internal systems that require a promissory note acknowledgment to be received prior to making a Direct Loan disbursement. Some of these schools, in anticipation of receiving the promissory note acknowledgments from the new LOC, did not return the excess cash that resulted from the delay in disbursement caused by the late promissory note acknowledgments. Since the delay was beyond the control of schools, we will not assess any liabilities for the failure of a school to return excess cash if the cause of that failure was related to this problem. This enforcement limitation will only apply to Direct Loan funds drawn down from February 28, 1997 through March 7, 1997. In addition, the school must be able to demonstrate that once it received the promissory note acknowledgment(s), it immediately made the disbursement(s) to the borrower(s). Schools are reminded that they remain responsible for returning any excess cash received for reasons other than this delay in processing promissory note acknowledgments.

Please feel free to keep this letter as documentation to provide to auditors and others who may be reviewing your institution's management of the Direct Loan Program.

We regret any inconvenience this problem may have caused your institution. Thank you for your continued support of the Direct Loan Program.

Sincerely,

Joe L. McCormick

Joe L. McCormick
Chair, Direct Loan Task Force

☆ U.S. GOVERNMENT PRINTING OFFICE: 1997 417-454/40577

APPENDIX B1
STATUS FLAGS FOR LOAN ORIGINATION, PROMISSORY NOTES AND DISBURSEMENTS

Loan Origination Status Flags

Status Flags	Means	Possible Reason for Status
N	Not ready to send	Loan has not been originated.
R	Ready to send	Loan origination record has not been batched but has been originated.
B	Batched	Origination record has been batched, but never transmitted **OR** Origination record was transmitted, but the acknowledgment from the LOC was never imported **OR** Origination record was transmitted, but the transmission was never received by the LOC.
E	Rejected by the LOC	Origination record has been rejected by the LOC due to either invalid data or transmission corruption.
A	Accepted by the LOC	Origination record has been accepted by the LOC and the process is complete.

Promissory Note Status Flags

Status Flags	Means	Possible Reasons for Status
N	Not ready to print	Loan has not been originated yet
R	Ready to print	No promissory note has been printed
P	Printed/Requested to print	Promissory note has been printed but not yet signed by the borrower
S	Signed	Promissory note has been signed but has NOT been included on the manifest **OR** Promissory note has been included on the manifest but acknowledgment from the LOC has either not been received or imported
E	Error received by the LOC	Promissory note has been rejected and returned to the institution by the LOC (Refer to Direct Loan Bulletin 96-6 for current promissory note acceptance guidelines)
X	Pending	LOC has not received the loan origination record

BEST COPY AVAILABLE

Promissory Note Status Flags

Status Flags	Means	Possible Reasons for Status
		OR LOC is trying to resolve a problem with the physical promissory note
A	Accepted by the LOC	Promissory note has been accepted and the process is complete

Disbursement Status Flags

Status Flags	Means	Possible Reason for Status
R	Ready to send	Actual disbursement have been made, but these disbursements have not been batched.
B	Batched	Actual disbursements have been made and batched, but these have not been sent to the LOC **OR** the acknowledgments have not been imported.
E	Error (rejected)	Disbursements have been rejected by the LOC
L	Accepted but not applied	Disbursement record was accept but the disbursement was not applied to the borrower's account because it was canceled prior to the LOC receiving the disbursement record.
A	Accepted by the LOC	Disbursements have been accepted and the process is complete.

Reconciliation Status Flags

Status Flags	Means	Possible Reason for Status
R	Ready to send	Actual disbursement have been entered so the corresponding reconciliation flag is now ready to be sent in the reconciliation file, but the reconciliation file has not been batched.
B	Batched	This record has been batched in the reconciliation file, but these have not been sent to the LOC **OR** the acknowledgment have not been imported.
E	Error (rejected)	Reconciliation record has been rejected by the LOC.
L	Accepted but not applied	Reconciliation record was accept but it was not applied to the borrower's account.
A	Accepted by the LOC	Reconciliation record has been accepted and the process is complete.

BEST COPY AVAILABLE

APPENDIX B2

ORIGINATION AND CHANGE RECORD ERRORS

CODE	DESCRIPTION OF ERROR
01	Invalid school code
02	Borrower address is incomplete
03	Invalid borrower birth date
04	Invalid borrower default on education loans code
05	Invalid borrower citizenship code
06	Must provide either borrower first or last name
07	Must provide borrower alien registration number
08	Disbursement date must occur between loan period start and end dates (-10 or +60 days)
09	Disbursement date is greater than the loan period end date
10	Minimum of two disbursements required
11	Anticipated disbursement date is blank
12	Total amount disbursed must be less than or equal to the loan amount approved
13	Disbursement dates are not in order
14	Invalid disbursement cancellation code
15	Invalid Loan Year
16	This loan ID is already on file (duplicate)
17	This borrower has the same SSN as another DLSS borrower
18	Loan fee amount does not reflect the current loan fee percentage
19	This field cannot be modified
20	Invalid state code
21	Not in use
22	Invalid field number
23	This loan was previously canceled
24	This loan ID is not on file (for change record)
25	Must provide loan period start and end dates
26	Loan amount approved exceeds the maximum loan limits
27	Anticipated net amount is not equal to gross amount minus loan fee
28	Invalid loan type
29	Must provide borrower/student SSN
30	Difference between the loan period start and end dates is invalid
31	Loan period start date is greater than the loan period end date
32	Invalid borrower signed date
33	Loan amount must be positive
34	Invalid promissory note print indicator
35	Anticipated graduation date must be after loan period start date
36	Borrower and student SSN cannot be the same
37	Invalid student birth date
38	Invalid student citizenship code
39	Invalid student default on education loans code
40	Must provide either student first or last name
41	Must provide student alien registration number
42	Not in use
43	Must provide student's year in college
44	Actual disbursement has already been made, cannot change anticipated disbursement
45	Cannot reverse cancellation on a previously canceled loan
46	The borrower middle initial must be blank or alphabetic
47	The student middle initial must be blank or alphabetic
48	The telephone number must be numeric
49	Invalid loan cancellation code
50	Invalid loan cancellation date
51	Invalid disbursement cancellation code/date combination
52	Invalid date format
53	Driver's License Number should not be blank
54	Gross amount disbursed should not be blank
55	Zip code must be numeric
56	Borrower's state code should not be blank
57	Borrower's ZIP code should not be blank
58	State code in Borrower's Driver License is invalid
59	Numeric field contains non-numeric characters
60	Invalid loan level dependency status code
61	Borrower's local address is incomplete
62	Borrower's local ZIP code must be numeric
63	Borrower's local state code should not be blank
64	Borrower's local ZIP code should not be blank
65	Invalid borrower's local state code
66	Invalid borrower's permanent address change date
67	Invalid borrower's local address change date
68	Invalid borrower's SSN change date
69	Invalid borrower's birth date change date
70	Invalid prom note print sequence number
71	Invalid student enrollment date
72	Anticipated gross disbursements must be more than zero
73	Disbursement percentages should sum to 100%
74	School code cannot be changed after loan disbursement has been made
75	Acknowledged but not applied
76	Invalid loan origination date
77	Anticipated graduation date cannot be before Loan Period Start Date
78	Must provide a valid Student's College Grade Level
79	Minimum of two disbursement percentages required
80	Loan cancellation requires all actual disbursements to be canceled
81	different year record(s) included in batch message class received
82	Loan amount approved is less than the sum of the actual disbursements

BEST COPY AVAILABLE

PROMISSORY NOTE ERRORS

PROMISSORY NOTE INCOMPLETE REASONS

CODE	MESSAGE
A	Borrower signature missing (blank)
C	Borrower SSN missing
D	Permanent home address missing
E	Telephone Number missing
F	Driver's License missing
G	Parent or endorser citizen status missing (PLUS)
H	Loan amount requested missing
I	Reference data missing
J	Employer data missing
K	Borrower date of birth missing
L	Student SSN missing (PLUS)
M	Student signature missing (PLUS)
N	School data missing
O	Loan period missing
P	Disbursement dates missing
Q	Students' date of birth missing (PLUS)
R	Student citizenship data missing (PLUS)
S	Sum of actual disbursements is greater than promissory note amount
T	Promissory note received earlier than 9 months prior to LOC receipt
W	Missing paper promissory note
X	Duplicate promissory note manifest (loan ID or promissory note)
Y	Signed date on promissory note missing

PROMISSORY NOTE PENDING CODES

CODE	MESSAGE
01	Loan origination record missing
02	Promissory note is under review

PROMISSORY NOTE REJECT CODES

CODE	MESSAGE
B	Promissory note text or signature altered
S	Sum of actual disbursements greater than promissory note.
U	Signed date on promissory note after expiration date on form
V	Copy/non-negotiable note received
W	Missing paper promissory note
X	Duplicate promissory note manifest (Loan ID and Promissory Note Print Sequence Number)
Y	Signed date on promissory note missing
Z	Citizenship marked as an ineligible non-citizen

DISBURSEMENT REJECT CODES

CODE	MESSAGE
A	**Disbursement accepted, but not applied to the borrower's account**
B	Invalid Disbursement Number, Must be 1,2,3, or 4
C	A Previous Non-canceled Disbursement Number is Missing
D	Duplicate Disbursement number (Year 1 and 2 only - not used in Year 3)
E	Invalid Disbursement Activity Status, Must be A, C, or D
F	Disbursement Sequence Number is not Numeric
G	Total Gross Disbursements cannot be > the Loan Amount Approved/Requested
H	Reported Amount does not match LOC amount; see LOC Values
I	Invalid Disbursement Activity (Year 1 and 2 only - not used in Year 3)
J	Credit Check has Not Yet Been Approved for this PLUS Loan
K	No Disbursement Record Found for this Adjustment or Cancellation
L	Unsatisfactory eligibility conditions
M	Duplicate Disbursement, Disbursement Number Already on File
N	Duplicate Disbursement (Year 1 Only)

CODE	MESSAGE
O	**Cannot Adjust or Cancel an Already Canceled Disbursement (Year 1 only)**
P	Duplicate Adjustment Transaction
Q	Disbursement Date Outside of Allowable Window
R	Disbursement Date cannot be in the Future
S	Not in Use as a Reject Code
T	Must have Valid Prom Note to Disburse for an Option 1 or Standard Originator
U	Loan ID not in Origination Table
V	Action Date does not Contain a Valid Date
W	Disbursement Date not in Chronological Order with Previous Disbursements
X	School Code not Found in School Table
Y	Action Rejected Because School Physically Closed or Ownership changed
Z	School Code does not Match School Code in Origination Record
4	Discrepancy being researched by LOC
5	Different year record(s) included in batch message class received

BEST COPY AVAILABLE

RECONCILIATION REJECT CODES

CODE	MESSAGE
A	Not in use as a reject code
B	Loan not booked-missing disbursement record
C	Loan not booked-missing promissory note and disbursement record
D	Not in use as a reject code
E	Not in use as a reject code
F	Fee amount mismatch
G	Gross amount mismatch
H	Loan not booked-missing promissory note
I	Invalid value
J	Adjustment amount mismatch
K	Loan not booked-missing origination record and disbursement record
L	Not in use as a reject code
M	Mismatch on all amount fields
N	Net amount mismatch
O	Loan not booked-missing origination record, promissory note and disbursement record
P	Disbursement record not received by LOC
Q	Adjustment record not received by LOC
R	Not in use as a reject code

CODE	MESSAGE
S	Cancellation record not received by LOC
T	Cash receipt not received by LOC
U	Already Reconciled
V	Return of excess cash not received by LOC
W	Reconciliation dates in error
X	Amount matches, date is out of range
Y	Amount mismatch, date is correct
Z	Disbursement, adjustment, or cancellation record has been rejected by LOC
0	Not in use as a reject code
1	Promissory Note has been rejected by LOC
2	Discrepancy being researched by LOC
3	Disbursement error occurred
4	Different year record(s) included in batch message class received
5	Not in use as a reject code
6	Not in use as a reject code
7	Not in use as a reject code
8	Not in use as a reject code
9	Record was not reconciled by the LOC

RECONCILIATION ALLOCATION/REALLOCATION STATEMENT REJECT REASONS

CODE	REJECT REASON
RA	School in Original Drawdown Institution Code does not exist on the LOC school file
RB	Invalid date for Action Date
RC	Invalid Action Amount entry for action type of "A"
RD	Invalid Action Amount entry for action type of "R"
RE	The sum of the Reconciliation Allocation/Reallocation Statement Adjustment Amounts can not be greater than Action Amounts on Allocation
RF	Sequence number must be numeric
RG	Adjustment Amount must be between -2,147,483,648 and 2,147,483,648 and can not be more than the original drawdown amount
RH	School designated in Institution Code field does not exist on the LOS school file
RI	Action type must be either **A** or **R**
RJ	Original Drawdown Institution Code is not main campus for school specified in Institution Code
RK	Institutions are not both participating institutions

BEST COPY AVAILABLE

APPENDIX C1

```
Report Date: 07/15/96       U.S. DEPARTMENT OF EDUCATION            Page:      1
Report Time: 15:23:01       Federal Direct Loan Program
                          Cash Summary Measurement Report
   THIS DOCUMENT CONTAINS SENSITIVE INFORMATION PROTECTED BY THE PRIVACY ACT
********************************************************************************
Reported Period:  01/01/96 to 09/30/96
Institution Code: G99999

                                  SOFTWARE         SERVICER      INSTITUTION
CASH SUMMARY RECORD AMOUNT    REPORTED AMOUNT  ACCEPTED AMOUNT  RECORDS AMOUNT
--------------------------    ---------------  ---------------  --------------
Cash Receipts                         $30,260               $0  $
Return of Excess Cash                  $5,805               $0  $
                              ------------------------------------------------
Net Receipts                          $24,455               $0  $
                              ------------------------------------------------

Actual Disbursements                  $54,246          $54,246  $
Cancelled Actual Disb.                     $0               $0  $
Adjustments to Actual Disb.                $0               $0  $
                              ------------------------------------------------
Net Disbursements                     $54,246          $54,246  $
                              ------------------------------------------------

Net Incr(Decr) in Cash              $(29,791)        $(54,246)  $
Beginning Cash Balance                     $0               $0  $
                              ------------------------------------------------
Ending Cash Balance                 $(29,791)        $(54,246)  $
                              ------------------------------------------------
Prior Months Unrecon Total                 $0
```

BEST COPY AVAILABLE

APPENDIX G4

```
Report Date: 03/21/97           U.S. DEPARTMENT OF EDUCATION           Page:      1
Report Time: 18:41:43           Federal Direct Loan Program
                                  Loan Origination List

   THIS DOCUMENT CONTAINS SENSITIVE INFORMATION PROTECTED BY THE PRIVACY ACT
*******************************************************************************

BORROWER'S NAME                  LOAN    LOAN AMOUNT      LOAN    ORIGINATION
ORIGINATION LOAN ID              TYPE  APPROVED/RQSTD    STATUS      DATE
----------------------------     ----  --------------    ------  -----------
DAMON, CHRISTINA A                 S           $5,500       R      03/21/1997
111111117S98G91234001                          $5,500

DAY, LINDA A                       S           $3,500       R      03/21/1997
111111113S98G91234001                          $3,500

HEINBUCH, JANELLE R                S           $5,500       R      03/21/1997
111111114S98G91234001                          $5,500

JAMES, JANNA F                     S           $5,500       R      03/21/1997
111111115S98G91234001                          $5,500

MAGUIRE, SUSAN J                   P           $1,500       R      03/19/1997
424123456P98G91234001                          $1,500

MAGUIRE, JERRY A                   S           $3,000       R      03/19/1997
424123456S98G91234001                          $3,000

 ,                                 P           $4,000       N
111111116P98G91234001                          $4,000

 OTH, AMY T                        S           $2,625       R      03/21/1997
111111116S98G91234001                          $2,625

SHOUSE, RHONDA E                   S           $2,625       R      03/21/1997
111111119S98G91234001                          $2,625

STANLEY, LISABETH Q                S           $2,625       R      03/21/1997
111111118S98G91234001                          $2,625

Total Stafford Subsidized:         8          $30,875
Total Stafford Unsubsidized:       0               $0
Total PLUS:                        2           $5,500

Total:                            10          $36,375
```

APPENDIX C3

Report Date: 03/28/97
Report Time: 14:48:32

U.S. DEPARTMENT OF EDUCATION
Federal Direct Loan Program
Promissory Note List

THIS DOCUMENT CONTAINS SENSITIVE INFORMATION PROTECTED BY THE PRIVACY ACT

****

BORROWER'S NAME ORIGINATION LOAN ID	LOAN TYPE	PROM NOTE STATUS	PROM NOTE PRINT INDICATOR	PROM NOTE RECEIVED DATE	MANIFEST PRINT DATE
DAY, LINDA A 111111113S98G91234001	S	R	O		
HEINBUCH, JANELLE R 111111114S98G91234001	S	S	O	03/28/1997	
JAMES, JANNA F 111111115S98G91234001	S	S	O	03/28/1997	
ROTH, JIMJ 111111116P98G91234001	P	R	O		
ROTH, AMY T 111111116S98G91234001	S	S	O	03/28/1997	
DAMON, CHRISTINA A 111111117S98G91234001	S	S	O	03/28/1997	
STANLEY, LISABETH Q 111111118S98G91234001	S	S	O	03/28/1997	
SHOUSE, RHONDA E 111111119S98G91234001	S	S	O	03/28/1997	
MAGUIRE, SUSANJ 424123456P98G91234001	P	S	O	03/28/1997	
MAGUIRE, JERRY A 424123456S98G91234001	S	S	O	03/28/1997	

Total: 10

APPENDIX C4

Report Date: 09/01/96
Report Time: 15:42:49

U.S. DEPARTMENT OF EDUCATION
Federal Direct Loan Program
Pending Disbursements Report

Page: 1

THIS DOCUMENT CONTAINS SENSITIVE INFORMATION PROTECTED BY THE PRIVACY ACT
****

BORROWER NAME ORIGINATION LOAN ID	LOAN TYPE	DISB #	DISB DATE	DISB TYPE	NET DISB AMOUNT
DOUBLEDAY , MAMA					
100112222P97G09999001	P	2	12/15/96		$ 320
DOUBLEDAY, ABNER					
100112222S97G09999001	S	2	12/15/96		$ 840
SUMNER, CHARLES					
111223333S97G09999001	S	2	12/15/96		$ 840
BERG , ADAM					
123456789S97G09999001	S	2	12/15/96		$ 840
BERG , ADAM					
123456789U97G09999001	U	2	12/15/96		$ 320
STANTON, LIZZY					
222334444S97G09999001	S	2	12/15/96		$ 840
GARRISON, LLOYD					
223332222S97G09999001	S	2	12/15/96		$ 840
TUBBMAN, HARRIET					
242443333S97G09999001	S	2	12/15/96		$ 840
ATTUCKS, CRISPUS					
331553333S97G09999001	S	2	12/15/96		$ 1,121
WASHINGTON, BOOKER					
333445555S97G09999001	S	2	12/15/96		$ 1,121
HAWKING, STEPHEN					
444556666S97G09999001	S	2	12/15/96		$ 1,121
CURRIE, MARIE					
445665555S97G09999001	S	2	12/15/96		$ 1,760
BETHOUNE, MARY					
555667777S97G09999001	S	2	12/15/96		$ 1,760
ANDERSON, MARION					
666778888S97G09999001	S	2	12/15/96		$ 1,760
DOUGLAS, FREDRICK					
777889999S97G09999001	S	2	12/15/96		$ 1,760
LINCOLN, ABE					
888991010S97G09999001	S	2	12/15/96		$ 2,720
STOWE, HARRIET					
999101111S97G09999001	S	2	12/15/96		$ 2,720
BARTON, CLARA T					
999887101S97G09999001	S	2	12/15/96		$ 2,720

Total Net Stafford Subsidized	$	23,603
Total Net Stafford Unsubsidized	$	320
Total Net Plus	$	320

Total Net Disbursements	$	24,243

APPENDIX C5

```
Report Date: 09/16/97      U.S. DEPARTMENT OF EDUCATION              Page:
Report Time: 11:17:17      Federal Direct Loan Program
                     Anticipated/Actual Disbursements List
   THIS DOCUMENT CONTAINS SENSITIVE INFORMATION PROTECTED BY THE PRIVACY ACT
******************************************************************************

                                                  ANTICIPATED     ACTUAL
                                                     DATE          DATE
                                                     GROSS         GROSS
BORROWER'S NAME                    LOAN TYPE         NET           NET
ORIGINATION LOAN ID                DISB NUM                     ACTION TYPE
-----------------------------      ---------      -----------   -----------

                                                  09/01/1997
                                                      250
MAGUIRE, JERRY A                       S              240
424123456S98G91234002                  1

                                                  01/11/1998
                                                      250
MAGUIRE, JERRY A                       S              240
424123456S98G91234002                  2

                                                        0
MAGUIRE, JERRY A                       S                0
424123456S98G91234002                  3

                                                        0
MAGUIRE, JERRY A                       S                0
424123456S98G91234002                  4

                                                  09/01/1997    09/01/1997
                                                     1313          1313
ROTH, AMY T                            S             1261          1261
   111116S98G91234001                  1                             G

                                                  01/11/1998
                                                     1312
ROTH, AMY T                            S             1260
111111116S98G91234001                  2

                                                        0
ROTH, AMY T                            S                0
111111116S98G91234001                  3

                                                        0
ROTH, AMY T                            S                0
111111116S98G91234001                  4


SUBSIDIZED STAFFORD LOANS
Total Gross Disbursements              28,875            10,626
Total Net Disbursements                27,723            10,202

UNSUBSIDIZED STAFFORD LOANS
Total Gross Disbursements                   0                 0
Total Net Disbursements                     0                 0

PLUS LOANS
Total Gross Disbursements               1,500               750
Total Net Disbursements                 1,440               720

   al Gross Disbursements (ALL)        30,375            10,063
Total Net Disbursements (ALL)          29,163             9,661

* - This disbursement is a cancellation and is
    excluded from the totals.
```

APPENDIX C6

Report Date: 09/01/96
Report Time: 15:44:03

U.S. DEPARTMENT OF EDUCATION
Federal Direct Loan Program
Actual Disbursements Report

Page: 1

THIS DOCUMENT CONTAINS SENSITIVE INFORMATION PROTECTED BY THE PRIVACY ACT

BORROWER NAME ORIGINATION LOAN ID	LOAN TYPE	NET DISB #	DISB DATE	DISB TYPE	DISB AMOUNT
ATTUCKS, CRISPUS					
331553333S97G09999001	S	1	09/01/96	G	$ 1,121
WASHINGTON, BOOKER					
333445555S97G09999001	S	1	09/01/96	G	$ 1,121
HAWKING, STEPHEN					
444556666S97G09999001	S	1	09/01/96	G	$ 1,121
CURRIE, MARIE					
445665555S97G09999001	S	1	09/01/96	G	$ 1,760
BETHOUNE, MARY					
555667777S97G09999001	S	1	09/01/96	G	$ 1,760
ANDERSON, MARION					
666778888S97G09999001	S	1	09/01/96	G	$ 1,760
DOUGLAS, FREDRICK					
777889999S97G09999001	S	1	09/01/96	G	$ 1,760
LINCOLN, ABE					
888991010S97G09999001	S	1	09/01/96	G	$ 2,720
STOWE, HARRIET					
999101111S97G09999001	S	1	09/01/96	G	$ 2,720

Total Net Stafford Subsidized	$	15,843
Total Net Stafford Unsubsidized	$	0
Total Net Plus	$	0
Total Net Disbursements	$	15,843

APPENDIX D1

ADDING A CASH RECEIPT IN EDEXPRESS

- Select **Tools, Utilities** from the menu.
- Click **Direct Loan.**
- Click the **Cash Management** button.
- Click **Add.**
- Select **Cash Receipt** as the action.
- Type the date of the receipt and the amount.
- Enter Confirmation Code.
- Click **Save.**

APPENDIX D2

ADDING A RETURN OF CASH IN EDEXPRESS

- Select **Tools, Utilities** from the menu.
- Click **Direct Loan.**
- Click the **Cash Management** button.
- Click **Add.**
- Select **Return of Excess Cash** as the action.
- Type the date of the return and the amount.
- Enter Confirmation Code.
- Click **Save.**

APPENDIX D3

CORRECTING A CASH DETAIL ENTRY IN EDEXPRESS

If the reconciliation status of the cash detail record is “R”, only the amount can be corrected on that record. If the date is incorrect or the status is “A”, “B”, or “E”, the transaction must be reversed and the correct transaction entered.

- Enter the Action Taken that you are reversing.
- Type the date of the transaction you are reversing.
- Type a negative sign (-) and the amount you are reversing.
- Click **Save**.
- Click **Add** and enter the correct transaction.
- Click **Save** again.

APPENDIX D4

EDEXPRESS CASH MANAGEMENT DATABASE

You can view the entire cash management database or you can filter it first to select only those records which you want to see.

To filter the database:

- Select **Tools, Utilities** from the menu.
- Click **Direct Loan.**
- Click the **Cash Management** button
- Click the **Filter** button.
- Select the filter you want. You can filter for action type, date range, and reconciliation status.
- Click **Close.**

To view the database:

- Select **Tools, Browse** from the menu.
- Click **Direct Loan Cash Database.**
- Click **OK.**
- Use the scroll bar to view the entire database.

APPENDIX D5

EXPORTING THE RECONCILIATION FILE IN EDEXPRESS

- Select **File**, **Export** from the menu.
- Click **Direct Loan.**
- Select as the export type: **Reconciliation Cash and Loan**.
- Verify the institution code.
- Type the end date.
- Click **OK.**
- A dialog box reminds you to run through your data management checklist before continuing.
- Click **Yes.**
- The export statistics dialog box displays the batch ID and the message class name assigned to the export, as well as the number of records included in the batch.
- **Note:** Be sure to enter the batch ID and message class name of this export in your EDconnect transmission log.

APPENDIX D6

IMPORTING THE RECONCILIATION ACKNOWLEDGMENT IN EDEXPRESS

- Select **File, Import** from the menu.
- Click **Direct Loan**.
- Select as the import type: **Reconciliation.**
- Click the **File**... button.
- Select the file **DIRC98OP.XXX.**
- Click **OK**.
- Click **Screen**.
- Click **OK.**

- **Tip:** Click on **Print Reconciled Loan Detail Records** to print a full report including reconciled records. Deselect the checkbox to print only unreconciled items on the report.

- The reconciliation report has three parts. Use the scroll bars to view the entire report. The first part displays Cash Summary information. The second part displays cash detail information. The third part displays loan detail information.

APPENDIX E1

```
Report Date: 03/28/97       U.S. DEPARTMENT OF EDUCATION          Page:      1
Report Time: 19:47:21       Federal Direct Loan Program
                     Promissory Note Acknowledgement From LOC
  THIS DOCUMENT CONTAINS SENSITIVE INFORMATION PROTECTED BY THE PRIVACY ACT
*    ***********************************************************************
    SSORY NOTE BATCH NUMBER: #AG91234032897801

LOAN ID                     PNOTE          REASON CODES         ALTERED NOTE
                            STATUS         RECON STATUS         NET LOC AMOUNT
-----------------------------------------------------------------------------
111111114S98G91234001      ACCEPTED
                                           UNRECONCILED          $      0

111111115S98G91234001      ACCEPTED
                                           UNRECONCILED          $      0

111111116S98G91234001      ACCEPTED
                                           UNRECONCILED          $      0

111111117S98G91234001      PENDING
                                           UNRECONCILED          $      0

111111118S98G91234001      PENDING
                                           UNRECONCILED          $      0

111111119S98G91234001      REJECTED        I
                                           UNRECONCILED          $      0

424123456S98G91234001      ACCEPTED
                                           UNRECONCILED          $      0


TOTAL LOANS ACCEPTED:           4
TOTAL LOANS PENDING:            2
    L LOANS IN ERROR:           1
      RECORDS SKIPPED:          0
TOTAL LOANS IN BATCH:           7

     * YOU MUST RESOLVE EACH PROM NOTE RECORD WITH STATUS OF 'REJECTED' *
```

APPENDIX E2

```
Report Date: 09/01/97       U.S. DEPARTMENT OF EDUCATION           Page:      1
Report Time: 22:13:19       Federal Direct Loan Program
              Disbursement Origination Record Acknowledgement Errors
  THIS DOCUMENT CONTAINS SENSITIVE INFORMATION PROTECTED BY THE PRIVACY ACT
    *******************************************************************
   N ORIGINATION BATCH NUMBER: #HG91234090197801
                                              FIELD IN ERROR          LOC NET
LOAN ID                  # DISB. DATE TYPE     RECON STATUS            AMOUNT
---------------------   - ---------- ---- ------------------------    --------
111111114S98G91234001   1  09/01/97   D   RECONCILED                  $ 2,640
111111115S98G91234001   1  09/01/97   D   RECONCILED                  $ 1,440
111111116S98G91234001   1  09/01/97   D   RECONCILED                  $ 1,261
111111117S98G91234001   1  09/01/97   D   RECONCILED                  $ 2,640
111111118S98G91234001   1  09/01/97   D   RECONCILED                  $ 1,261
424123456S98G91234001   1  09/01/97   D   RECONCILED                  $ 1,440


TOTAL LOAN ID'S IN ERROR                  0
TOTAL SCHOOL CODES IN ERROR               0
TOTAL DISB #'S IN ERROR                   0
TOTAL DISB TYPES IN ERROR                 0
TOTAL DISB DATES IN ERROR                 0
TOTAL SEQUENCE NUMBERS IN ERROR           0
TOTAL DISB AMOUNTS IN ERROR               0

TOTAL RECORDS IN ERROR                    0

TOTAL RECORDS SKIPPED                     0

TOTAL RECORDS ACCEPTED                    6
TOTAL RECORDS RECONCILED                  6
TOTAL RECORDS UNRECONCILED                0

TOTAL DUPLICATE RECORDS                   0

   AL RECORDS IN BATCH                    6
```

APPENDIX E3

```
Report Date: 09/03/97       U.S. DEPARTMENT OF EDUCATION            Page:      1
Report Time: 09:28:59        Federal Direct Loan Program
                          Reconciliation Response From LOC
  THIS DOCUMENT CONTAINS SENSITIVE INFORMATION PROTECTED BY THE PRIVACY ACT
*******************************************************************************
.ATCH ID: #LG91234090297801
RECONCILIATION AS OF:  09/15/1997

                                    REPORTED           LOC
CASH SUMMARY RECORD                  AMOUNT           AMOUNT        STATUS
-------------------------------------------------------------------------------
FOR THE PERIOD:
Cash Receipts                    $      26,602   $      26,602  RECONCILED
Return of Excess Cash            $      -1,525   $      -1,525  RECONCILED
Actual Disbursements             $           0   $           0  INVALID STATUS
Cancelled Actual Disbursements   $       1,261   $           0  NOT RECONCILED
Adjustments to Actual Disb.      $         480   $           0  NOT RECONCILED

FOR THE PRIOR PERIOD:
Prior Months' Unrecon Total      $           0

Ending Cash Balance              $      13,514   $      14,295  NOT RECONCILED

Net Unbooked Transactions at LOC                 $           0

Adjusted Ending Balance per LOC

Number of Reconciliation Balances       6
Number of Balances Reconciled           2
 umber of Balances Not Reconciled       4

     *** YOU MUST RESOLVE EACH RECORD WITH STATUS OF 'NOT RECONCILED' ***

The LOC's Ending Cash Balance represents the Department's official cash
balance for your school at this reconciliation period end date.  If your
records do not agree, please notify your School Relations Representative
IMMEDIATELY.  Otherwise, the Ending Cash Balance from the LOC's records
will be used to monitor the cash activity and balances at your school.
```

```
Report Date: 09/03/97        U.S. DEPARTMENT OF EDUCATION             Page:      2
Report Time: 09:29:01          Federal Direct Loan Program
                             Reconciliation Response From LOC
  THIS DOCUMENT CONTAINS SENSITIVE INFORMATION PROTECTED BY THE PRIVACY ACT
******************************************************************************
BATCH ID: #LG91234090297801
RECONCILIATION AS OF:  09/15/1997

                                          REPORTED             LOC       STATUS/
CASH DETAIL RECORDS        DATE            AMOUNT             AMOUNT     ERROR REASONS
------------------------------------------------------------------------------
Cash Receipt             08/29/97    $       12,500     $       12,500 RECONCILED
Cash Receipt             08/29/97    $      -12,500     $      -12,500 RECONCILED
Cash Receipt             08/29/97    $       15,200     $       15,200 RECONCILED
Cash Receipt             08/30/97    $       11,402     $       11,402 RECONCILED
Return of Excess Cash    08/30/97    $       -1,525     $       -1,525 RECONCILED

Number of Detail Records Reconciled                         5
Number of Detail Records Not Reconciled                     0
Number of Detail Records Read                               5

                         * ALL RECORDS RECONCILED *
```

```
Report Date: 09/03/97       U.S. DEPARTMENT OF EDUCATION          Page:      3
Report Time: 09:29:03        Federal Direct Loan Program
                           Reconciliation Response From LOC
   THIS DOCUMENT CONTAINS SENSITIVE INFORMATION PROTECTED BY THE PRIVACY ACT
********************************************************************************
ATCH ID: #LG91234090297801
RECONCILIATION AS OF:  09/15/1997

LOAN DETAIL RECORDS
BORROWER'S NAME/                  DISB  REPORTED LOC      STATUS/
LOAN ID                          #/TYPE AMOUNTS  AMOUNTS  ERROR REASON
TOTAL LOC NET AMOUNT
--------------------------------------------------------------------------------

JAMES, JANNA F                    1 A                     NOT RECONCILED
111111115S98G91234001                   $  1,000 $        GROSS
$  1,440                                $     40 $        FEE
                                        $    960 $        NET
                                        $   -480 $        NET ADJUSTMENT
                                                          Q


STANLEY, LISABETH Q               1 C                     NOT RECONCILED
111111118S98G91234001                   $  1,313 $        GROSS
$  1,261                                $     52 $        FEE
                                        $  1,261 $        NET
                                        $      0 $        NET ADJUSTMENT
                                                          S


umber of Detail Records Reconciled                       0
Number of Detail Records Not Reconciled                   2
Number of Detail Records Read                             2

   *** YOU MUST RESOLVE EACH RECORD WITH STATUS OF 'NOT RECONCILED' ***
```

APPENDIX F1

RECONCILIATION CHECKLIST

The school should submit a reconciliation file to the Loan Origination Center every 30 days. Before the school attempts to export a reconciliation file, it should make sure that it imports all outstanding acknowledgments for loan origination records, promissory notes, disbursements and change records in order to minimize the number of unreconciled items. The following steps should be followed:

1. **Export all pending data**.

- Export and transmit all loan origination records and change records to the LOC.

- Export and transmit the electronic promissory note manifest. Sign the paper manifest and mail it with the corresponding promissory notes to the LOC.

- Export and transmit all disbursement records (including adjustments and cancellations) to the LOC.

- It is best to process and transmit records in the order of occurrence: loan origination records, promissory notes, disbursement records, cancellations and adjustments.

2. **Import all outstanding acknowledgments**

- Receive and import all loan origination acknowledgments.

- Receive and import all promissory note acknowledgments.

- Receive and import all disbursement (including adjustments and cancellations) acknowledgments.

- Remember to check for all rejected records. Correct all rejected records and re-transmit the corrections as quickly as possible to avoid any delays.

3. **Allow enough time for pending items to return to the school from the LOC as acknowledged.**

4. **Check the list of batches sent for any unconfirmed batches.**

5. **Review cash receipts and returns of cash for accuracy and reconcile with the school's internal accounting records.**

- This should be done on a daily or weekly basis.

- Make sure the dates and amounts match and that the correct transaction type has been entered. Be careful not to record a receipt of cash amount as an excess cash transaction or vice versa.

6. **Identify those loans which have not yet been booked. Only those loans which have been booked will reconcile. Unbooked loans will be returned as unreconciled items.**

- Loan origination record status must be equal to "A".

- Promissory note status must be equal to "A".

- Disbursement record status must be equal to "A".

7. **Back up your system**.

- Always back up your system regularly. In addition, periodically check your back-up data to make sure the back-up system is working correctly.

- The school should always back up its system before any major processing has begun.

8. **Be sure to use correct "as of" date for the school's reconciliation file.**

- Always use the school's designated "as of " date for the current period, even if the school is reconciling items from a previous period. If the wrong date is used, the file will not be processed and all records will be rejected. The entire file will then have to be re-submitted.

APPENDIX G1

BATCH ID LIST

DIRECT LOAN MESSAGE CLASS	BATCH IDS	WHAT'S IN THE BATCH
DESF97IN	D	Export Stafford Full Origination to Origination Center
DISF97IN		Import Stafford Full Origination Acknowledgement
DEPF97OP	PF	Export PLUS Full origination to Origination Center
DIPF97IN		Import PLUS Full Origination Acknowledgement
DIPC97IN	C	Import PLUS Credit Decision from Origination Center
DEPM97IN	A	Export Stafford/PLUS Prom Note Manifest to Orig Ctr
DIPA97OP		Import Stafford/PLUS Prom Note Manifest Acknowledgement
DEEM97IN	Z	Export PLUS Prom Note Manifest for Servicer Entry
DIPE97OP		Import PLUS Entry Acknowledgement
DESC97IN	E	Export Origination Change to Origination Center
DIOC97IN		Import Origination Change Acknowledgement
DESD97IN	H	Export Actual Disbursement to Origination Center
DIOD97OP		Import Actual Disbursement Acknowledgement
DEDD97IN	J	Import Drawdown Request to EDPMS
DIDD97OP		Import Drawdown Request Confirmation
DERC97IN	L	Export Reconciliation Records to Origination Center
DIRC97OP		Import Reconciliation Acknowledgement
DIRS97OP	TO	Import Origination Center Only Reconciliation Transaction
DIWR97OP	W	Import 30 Day Warning Report
DPOS97OP	PD	Import Payment for Origination Services Detail
DIAA97OP	R	Import **Alternate Originator** Anticipated Disbursement Listing
DIAO97OP	Q	Import **Alternate Originator** Actual Disbursement Roster
	M	Import Add Loan Records from ISIR's
	N	Import Add Loan Records from Packaging
	F	Export Full Origination to External Source

CUSTOM MESSAGE CLASS	BATCH IDS	WHAT'S IN THE BATCH
DEER97IN	F	Export User-Defined File to external
DIEA97OP	O	Import/Add Origination Records from External source
DIEC97OP	P	Import Change Records from External Source
DERS97IN	K	Export Drawdown Reconciliation Statement to Orig Ctr

NSLDS MESSAGE CLASS	BATCH IDS	WHAT'S IN THE BATCH
DICR97OP	I	Import SSCR Initial File from NSLDS
DECR97IN	S	Export SSCR automatic Batch to NSLDS
DICA97OP		Import SSCR Acknowledgement from NSLDS
DISA97OP	U	Import SSCR Add File from External Source
DISC97OP	V	Import SSCR Change File from External Source
DESS97IN	X	Export SSCR File to External
DEMS97IN	Y	Export Manual SSCR Batch to Origination Center (actually . this goes to NSLDS, according to NCS)

Appendix I1
Direct Loan Data Transmission Log

Data Type:______________________________ Message Classes:____

EDExpress		**EDConnect**				**EDExpress**	
Batch ID#	**Export File Name (Message Class) (Date)**	**File Transmitted √ (Initials)**	**Date**	**Received File Name (Message Class) (Date)**	**Date**	**File Imported √ (Initials)**	**Date**
DG12345090197001	DESF98IN.DAT 9/1/97	ADB	9/2/97	DISF98OP.DAT 9/5/97	9/6/97	ADB	9/6/97